

# INVESTOR PRESENTATION

**Investor Relations**

November 2019



## **DPDHL Group Intro**

## **Strategy 2025 Group Strategy**

## **Strategy 2025 Divisional Strategies**

## **Group Financial Backup**

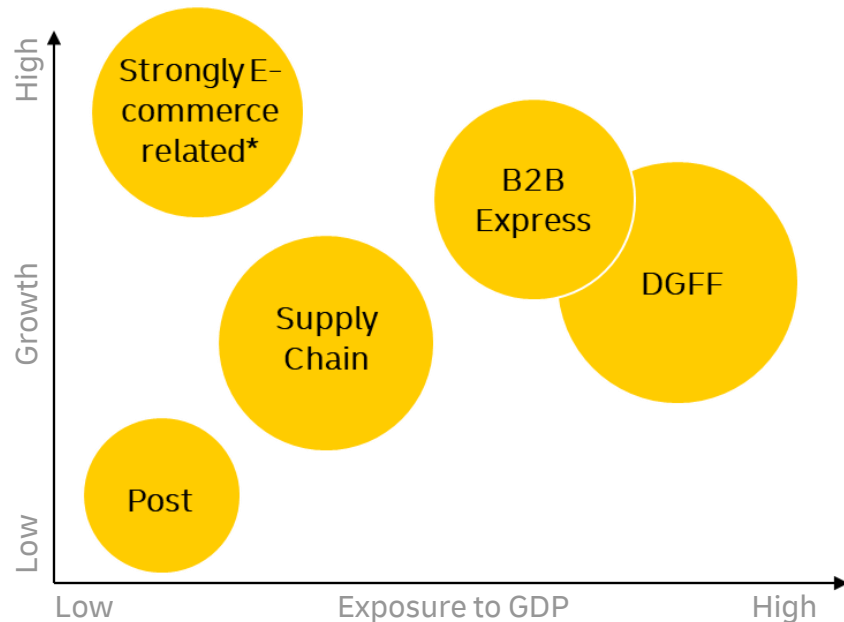


# DPDHL Group at a Glance

		Network Businesses – asset intensive			Brokerage & Outsourcing – asset light	
Deutsche Post DHL Group		Post & Parcel Germany	DHL eCommerce Solutions	DHL Express	DHL Global Forwarding, Freight	DHL Supply Chain
Revenue						
-€ m-		15,108	3,834	16,147	14,978	13,350
Group revenue €61.6bn						
EBIT / Margin						
-€ m-		683	-28	1,957	442	520
~500k employees >220 countries/ territories		4.5%	-	12.1%	3.0%	3.9%
Market shares						
# 1 P&P Germany						
# 1 Express Global						
# 1 GFF Global						
# 1 SC Global						
Staff (FTE)						
-in '000-		159.032	29.493	93.550	43.347	151.877

\*FY 2018 figures

# GLOBALIZATION: Our broad portfolio makes us more resilient



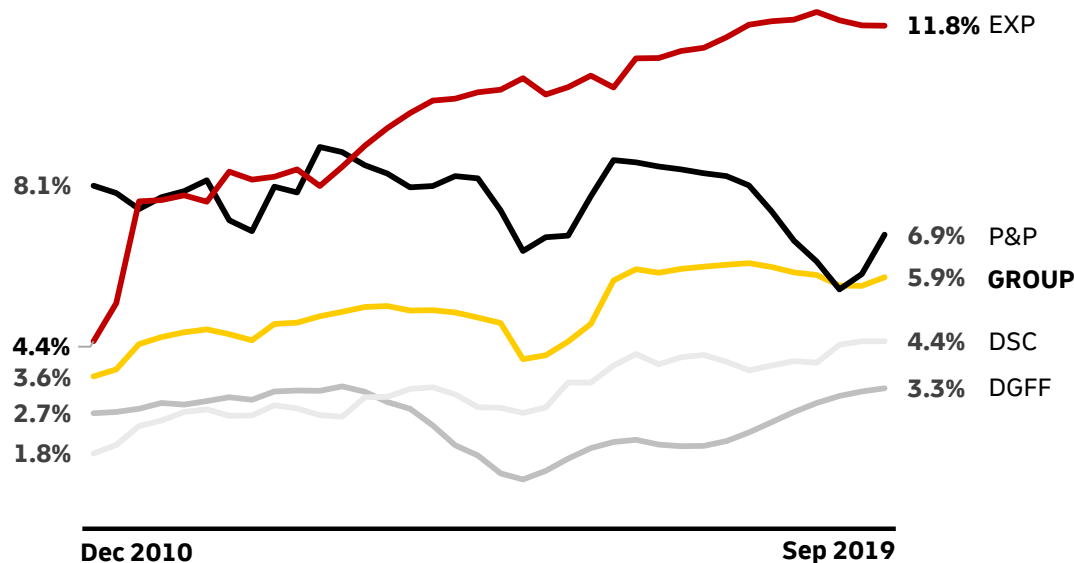
## Our Position

- Largest, most global logistics provider
- Leading market positions
- Strong brands, balanced portfolio

\*B2C Express, Parcel Germany and DHL eCommerce Solutions

# DPDHL: Focus Is The Key To Sustainable Margin Expansion

12m rolling EBIT margin<sup>1)</sup>



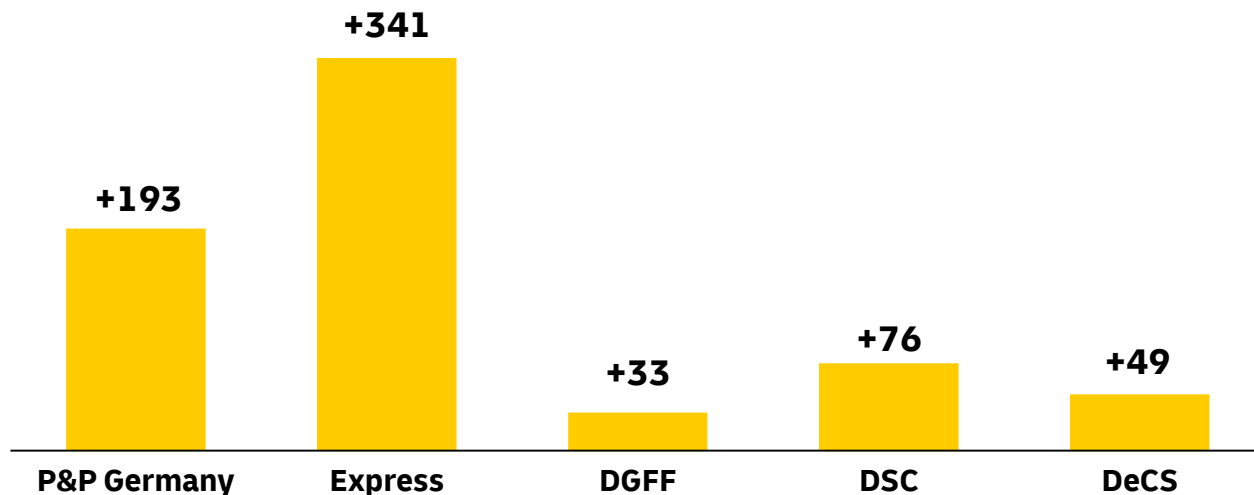
- **Group:** Balanced and steady expansion as all divisions execute on 2020 strategic plans
- **EXP:** Demonstrating the result of sustained focus on TDI and yield
- **P&P:** Overcoming current challenges in managing the transition from post to parcel
- **DSC:** Making gradual progress towards 4-5% goal
- **DGFF:** Building momentum to close gap to benchmark profitability

<sup>1)</sup>Adjusted for: 2015: DGFF write-off; 2018: PeP restructuring charge; 2019: SF Transaction gain & DSC Restructuring

# Q3 2019 Group Revenue

**GROUP**  
**€15,552m**  
**€+703m**  
**(+4.7%)**

**Revenue growth yoy**  
All in €m



**Organic Growth**

**Group:**  
**+3.9%**

+5.5%

+6.2%

-0.7%

+3.8%

+3.2%



# Q3 2019 Group EBIT

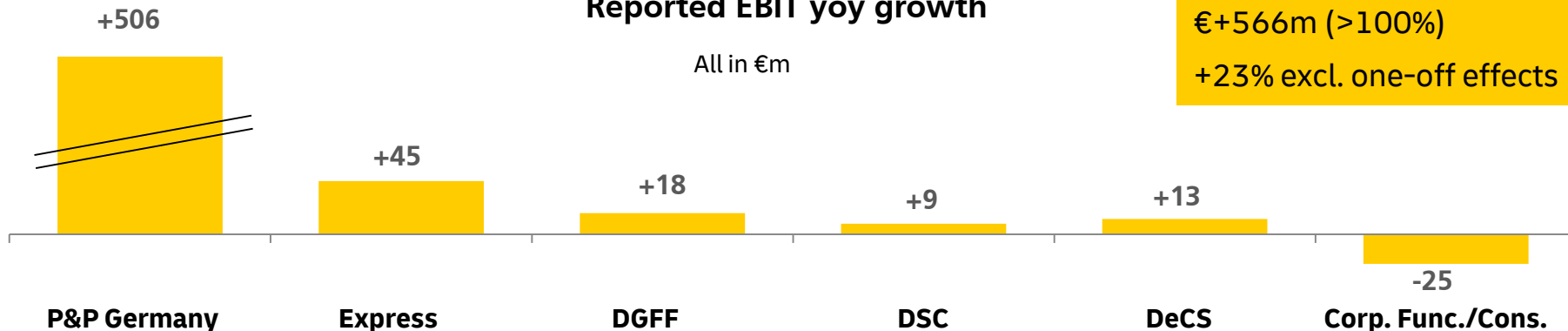
## Reported EBIT yoy growth

All in €m

**GROUP €942m**

€+566m (>100%)

+23% excl. one-off effects



**2019:**  
EBIT growth accelerating as expected – cost & yield measures ramping up, now also incl. first effects of mail price increase  
**2018:** €-392m restructuring charge

**2019:**  
Continued solid volume growth again translated into significant absolute EBIT increase – transitory effects from heavyweight campaign annualized

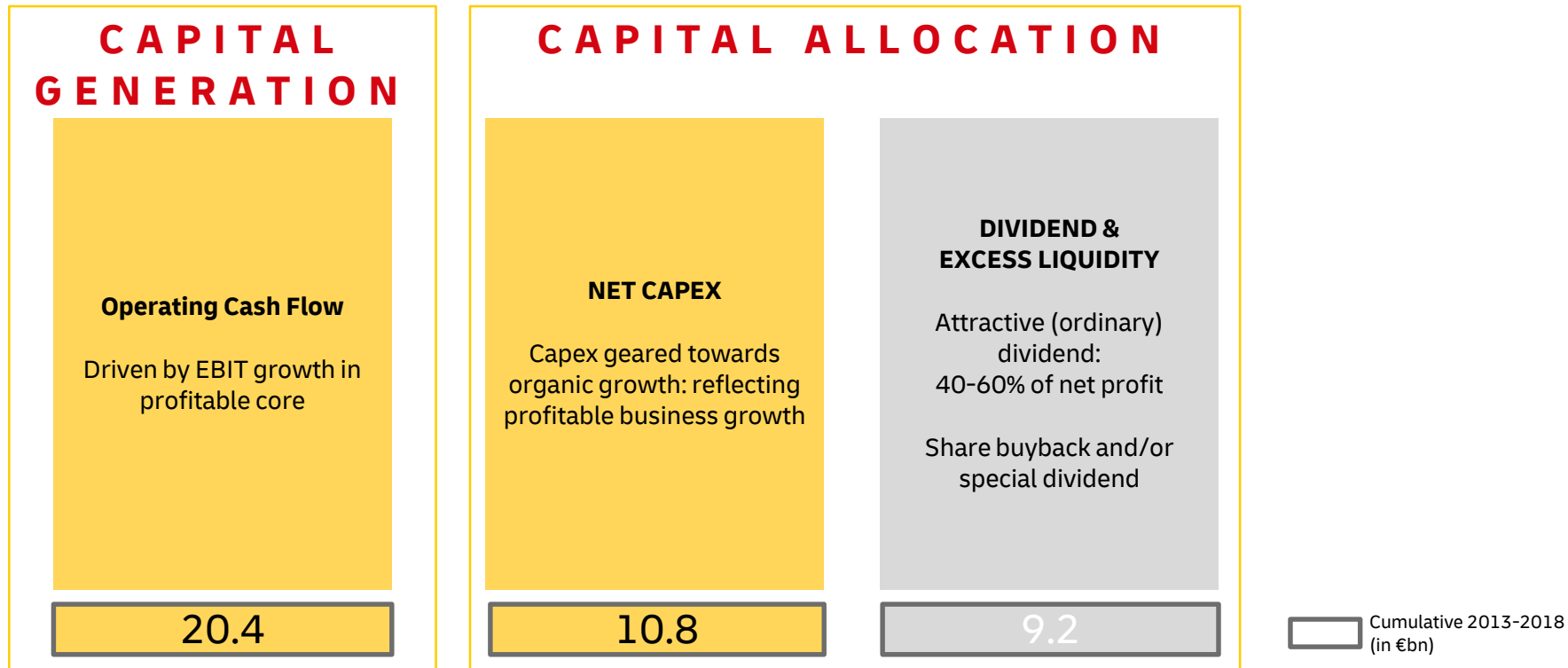
**2019:**  
EBIT growth remains mainly driven by self-help measures in DGF and Freight – markets provide limited tailwind

**2019:**  
Includes €-8m net effect from restructuring – strong EBIT increase after 9M partly supported by phasing effects

**2019:**  
Includes €-4m restructuring costs – further improvement in operating performance and overhead costs on path to 2020 profit contribution

**2019:**  
Corporate Incubations costs ramping up in line with full-year guidance

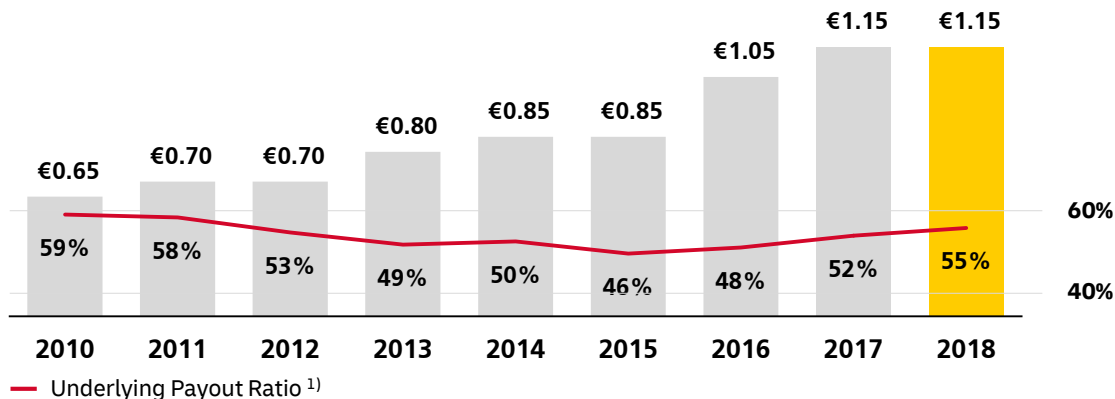
# Disciplined & clear capital allocation priorities





# DPDHL Group Finance Policy: Confirmed And Executed Upon

Dividend of €1.15 for FY2018



Dividend payments of €1.4bn to DPDHL shareholders on May 20<sup>th</sup>, 2019

1) Adjusted for Postbank effects as well as non-recurring items when applicable

## FINANCE POLICY

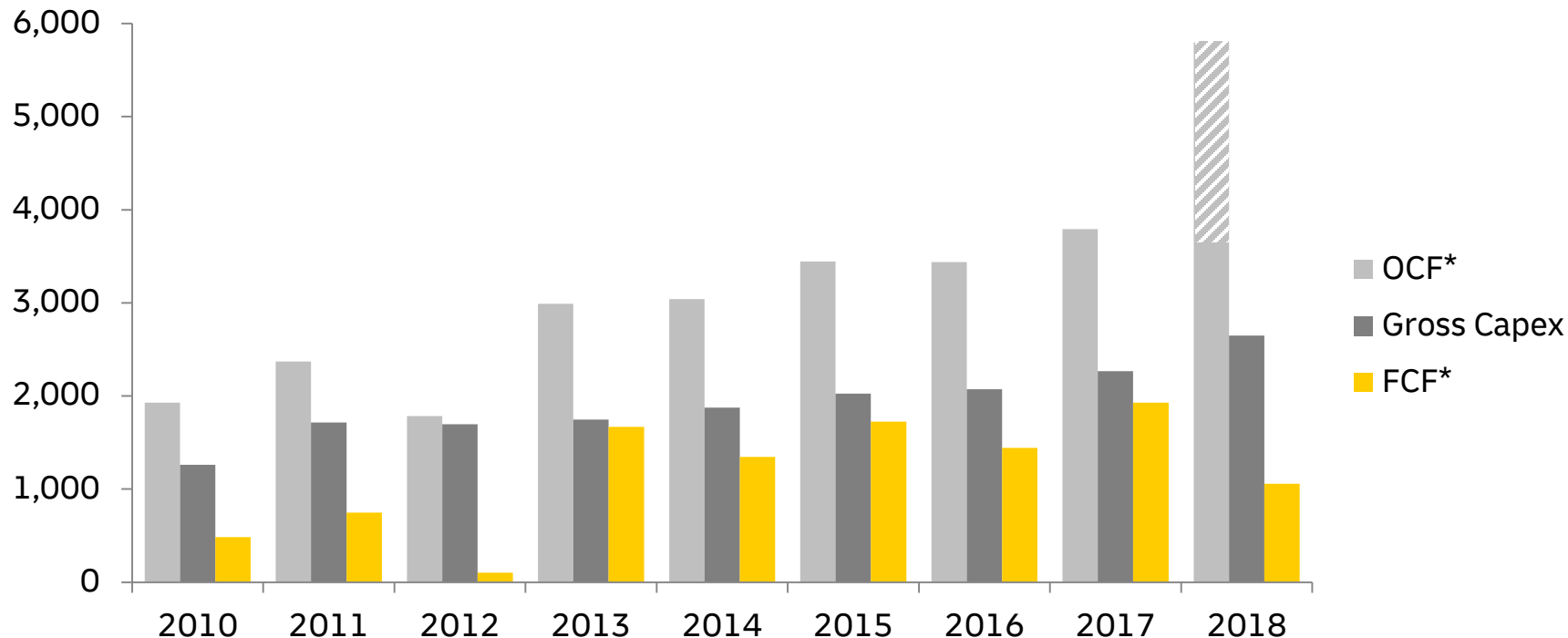
- Target / maintain rating BBB+

- Dividend payout** ratio to remain between **40–60% of net profit** (continuity and Cash Flow performance considered)

- Excess liquidity** will be used for **share buybacks** and/or **extraordinary dividends**

# Consistent Cash Flow Generation And Growth Investment

In €m



\*OCF and FCF adjusted for 2012, 2016 and 2017 Pension Financing

Impact of IFRS 16 implementation

# Capex growth has enabled strong volume increase

Capex increase reflected ongoing strong volume growth in

- **PARCEL GERMANY** (2013-2018: +9% p.a.)
- **EXPRESS** (2013-2018: +8% p.a.)

## Parcels per day Germany

**>2,000,000** parcels  
per day more since 2013



**+53%**

## Express TDI shipments per day

**> 300,000** shipments  
per day more since 2013

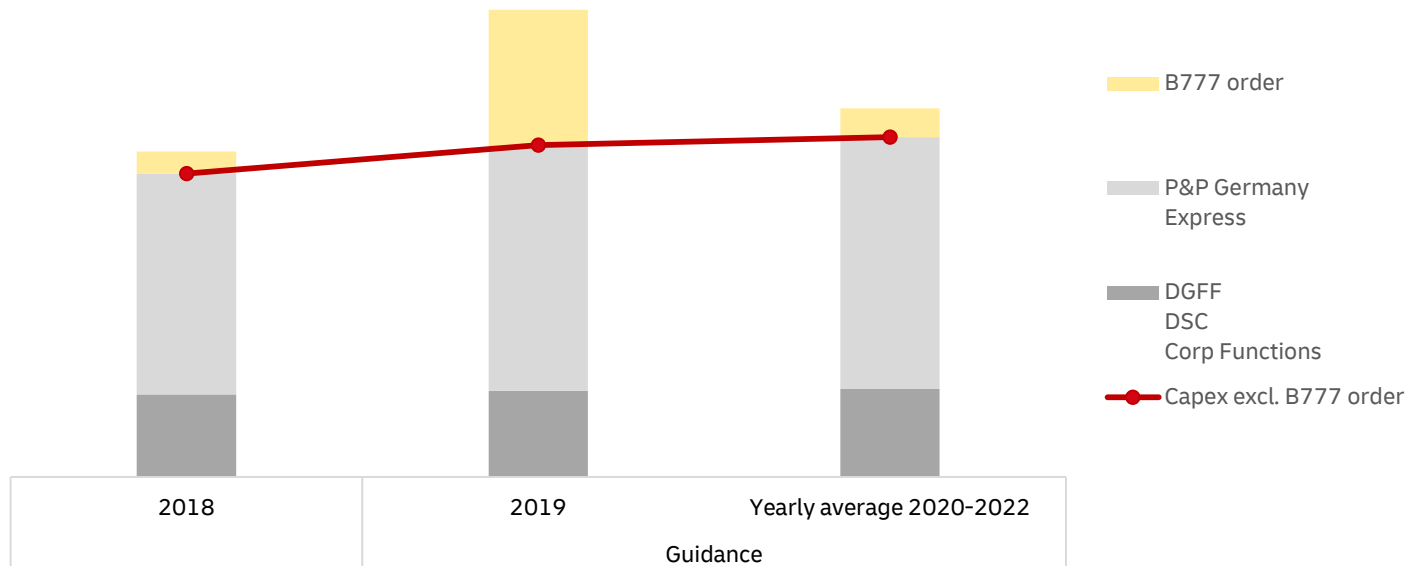


**+49%**

# Capex outlook: 2019 peak due to 777 order

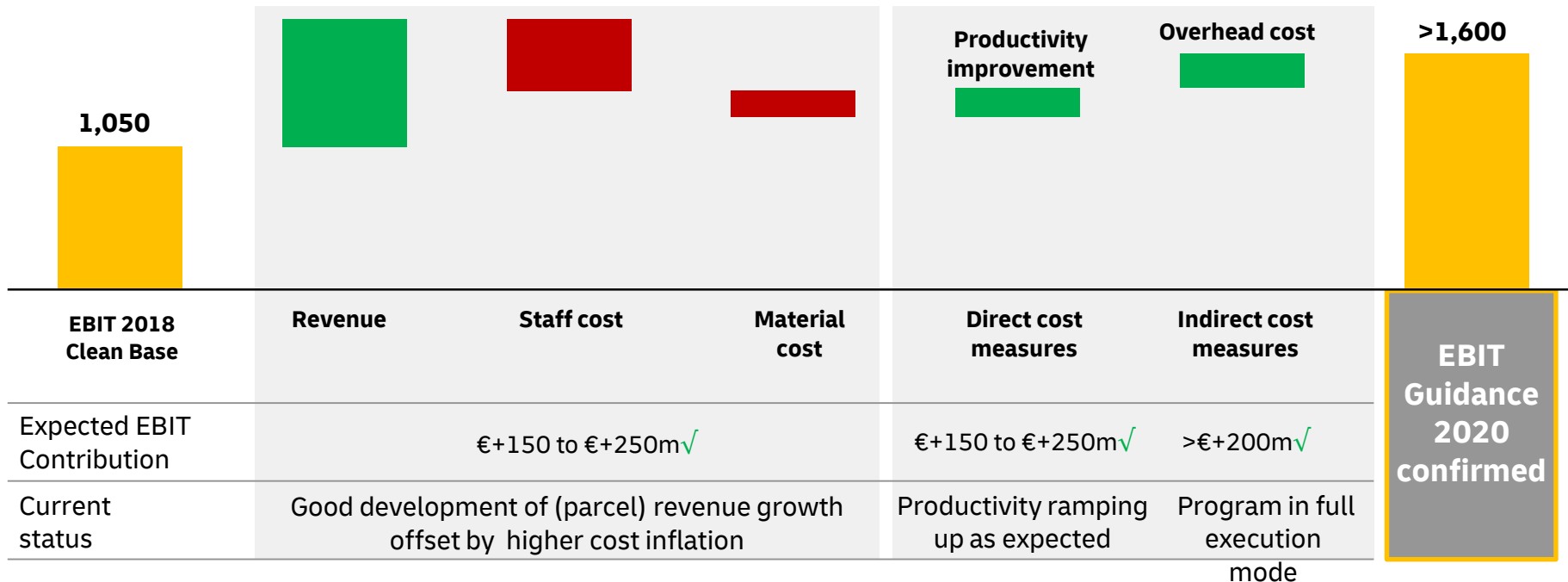
DPDHL Gross Capex:

- Peak at €3.7bn in 2019 (incl. €1.1bn B777 order)
- Stable / slightly rising excl. 777 order going forward



# P&P Germany 2020 bridge: main elements confirmed

EBIT contribution, in €m  
2020 vs 2018



# DHL EBIT Bridge to 2020 Target

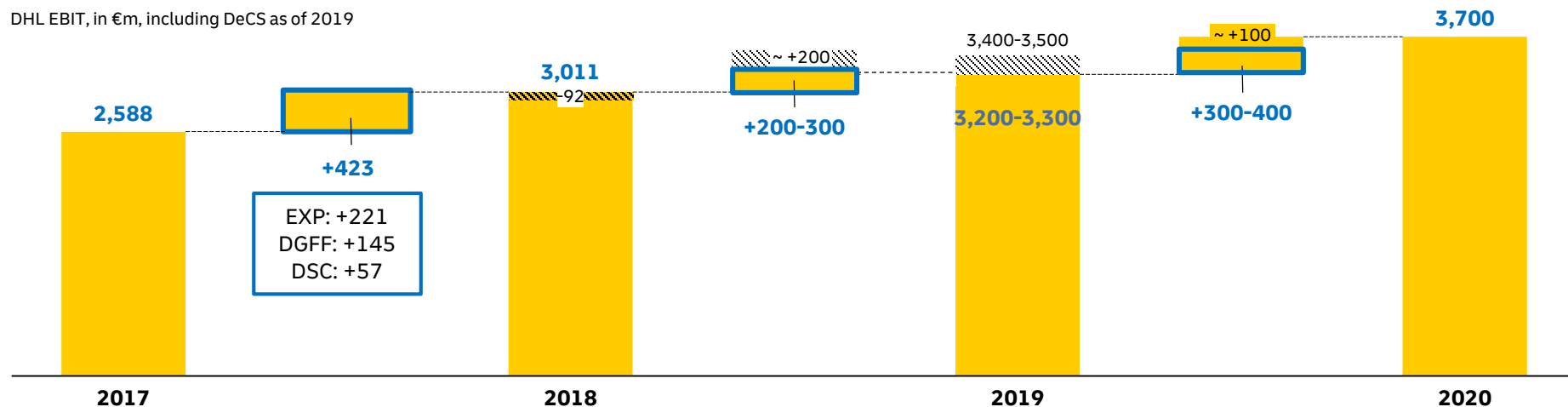


Express: Focus on TDI  
DGFF: IT renewal / Simplify  
DSC: OMS/Standardization  
DeCS: Portfolio focus & volume growth



Based on Global GDP consensus estimates for  
2019/20 (~ +3%)

DHL EBIT, in €m, including DeCS as of 2019



EBIT excl. non-recurring effects



Operating Contribution from Express, DGFF, DSC



Non-rec. effects: 2018, DSC (€-92m); 2019e, DSC China (€+426m), DSC restr. (~ €-150m), DeCS restr. (~ €-60m)

## Guidance 2019/2020 confirmed

In € bn	2019	2020
Group EBIT	4.0-4.3	>5.0
P&P Germany	1.1-1.3	>1.6
DHL	3.4-3.5	>3.7
Corporate Functions	-0.5	-0.35

### 2019

**Free Cash Flow:** >€0.5bn (incl. ~€1.1bn debt-financed Express intercontinental fleet renewal)

**Tax rate:** Between 19% and 22%

**Gross Capex (excl. leases):** ~€3.7bn (incl. ~€1.1bn for debt-financed Express intercontinental fleet renewal)



# Rolling 2022 financial targets, as introduced at 2019 CMD

All targets to be rolled  
forward annually

In € bn	2022
Group EBIT	>5.3
Capex (20-22) cumulative	8.5 - 9.5
FCF (20-22) cumulative	4.5 - 5.5

**2022 minimum EBIT guidance**  
based on cautious macro scenario

**Capex** guidance includes ~€800m  
for Boeing 777 order in 2020/21

Divisional EBIT growth remains  
**key driver of OCF and FCF growth**

# DPDHL Investment Case Summary

## EARNINGS



Sustainable growth from diversified global market leader



Clear agenda for improving profitability

## CASH FLOW



Continued investments for profitable growth



Strong balance sheet and cash generation

## SHAREHOLDER RETURNS



Long-term Finance Policy defining sustainable shareholder returns

**DPDHL Group Intro**

**Strategy 2025 Group Strategy**

**Strategy 2025 Divisional Strategies**

**Group Financial Backup**



# We have learned a lot along the way

STRATEGY 2020  
Focus. Connect. Grow.

Focus.	Connect.	Grow.
We focus on our core activities ...	We connect across the organization ...	We grow ...
1 Logistics as our core	One global team	Leader in e-commerce related logistics
2 Committed to the needs of our stakeholders & our planet	Certified specialists for everything we do	Accelerate footprint shift towards emerging markets
3 A family of divisions	Connected approach in operations, commercial, green solutions, shared services	Tap new market opportunities for organic expansion
... to achieve industry-leading performance.	... to achieve quality & service excellence.	... for sustainable above-market growth.

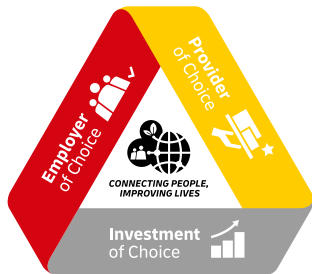
## We are successful

- ... if we focus on execution excellence
- ... if we act along our 3 bottom lines
- ... if we strengthen our profitable core
- ... if we leverage e-commerce
- ... if we take advantage of technology



# SUSTAINABILITY

THE TANGIBLE OUTCOME OF OUR PURPOSE  
FOR LONG-TERM VALUE CREATION





**Excellence. Simply delivered.** along the three bottom lines in a *sustainable way*



## **E** ENVIRONMENTAL IMPACT

- Mission 2050
- Green solutions
- Green policies & guidelines
- Carbon-efficient delivery solutions
- Tree planting

## **S** SOCIAL IMPACT

- Employee Engagement (EOS, EOY, GVD...)
- Certified
- Safety First
-  
- Diversity & Inclusion
- Explore introduction of additional “Go”-programs

## **G** GOVERNANCE STRUCTURES

- Codes of Conduct and Supplier Code of Conduct
- Compliance Management
- Employee Relations
- Internal Audit
- Data Protection Management

# Core logistics offers sustainable growth opportunity

Focus on profitable growth in our core

## > Market growth assumption by division (volume p.a., 2018-2025)

- P&P: Parcel +5-7%, Mail -2% to -3%
- EXP: TDI +4-5%
- DGFF: OFR +2-4%; AFR +1-3%; RFR +3-4%
- DSC: Outsourced logistics ~+4% (revenue)
- DeCS: Driving revenue CAGR of 5-10% across all businesses

## > Expected growth vs. Market

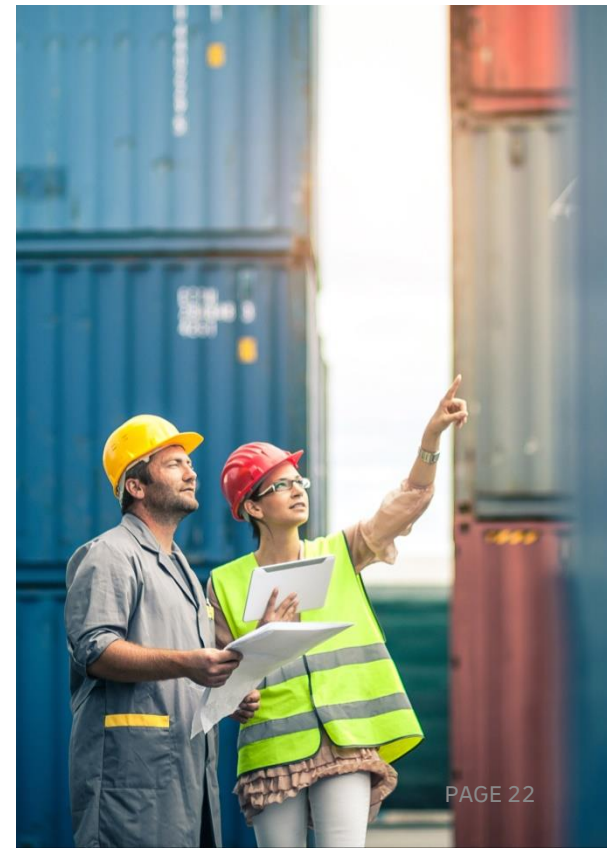


**At least in line:**  
P&P, EXP, DSC, DeCS



**Above:**  
DGFF

- Supported by unchanged strong yield discipline in all divisions

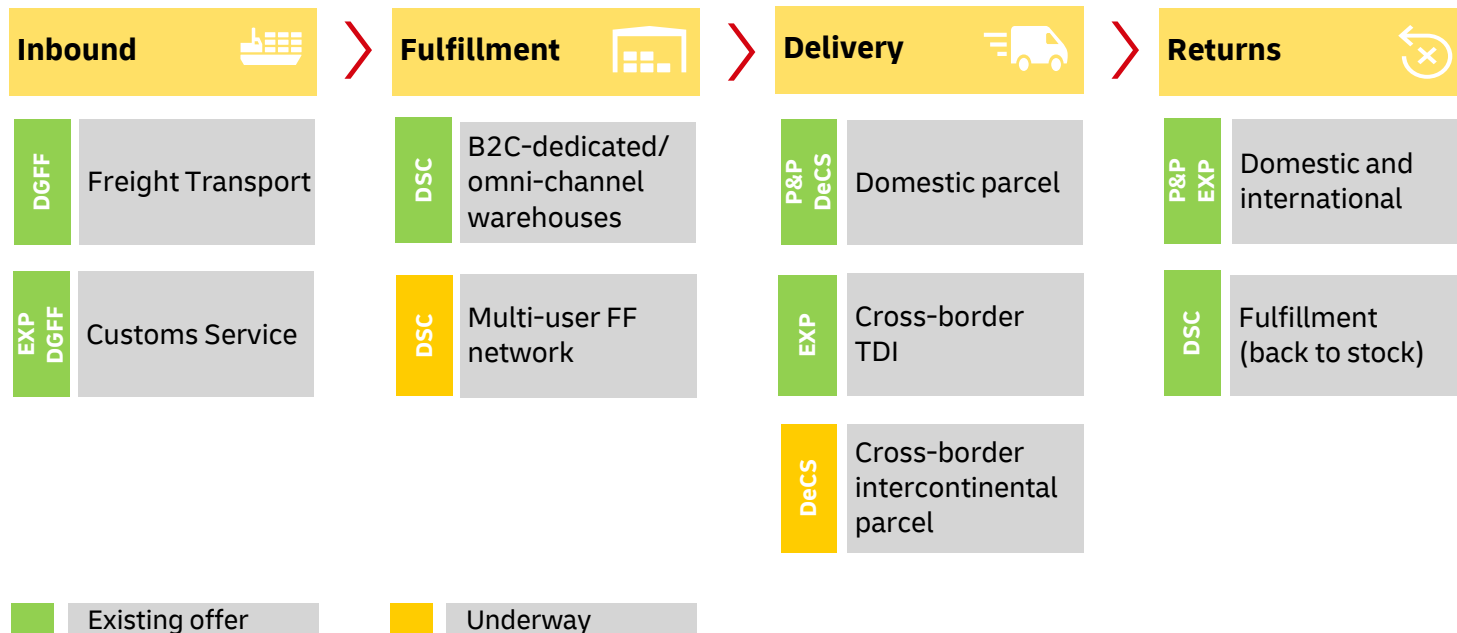




# E-COMMERCE: We offer the entire logistics value chain



## Our Position



**DPDHL Group Intro**

**Strategy 2025 Group Strategy**

**Strategy 2025 Divisional Strategies**

**Group Financial Backup**



# P&P Germany: Mail price increase implemented

Q3 2019 yoy	Volume	Revenue
Mail*	<b>-0.9%</b>	<b>+3.3%</b>
Parcel Germany	<b>+6.1%</b>	<b>+9.9%</b>

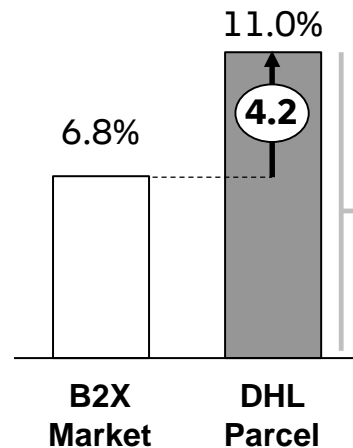
\*Mail Communication & Dialogue Marketing

- Average 10.6% price increase on basket of regulated mail products implemented as of July 1
- Incl. working day effect (1 day more yoy), mail volume decline (MC + DM) in line with expected trend at -2.4%
- Parcel yield measures continue to show significant positive effect



# Parcel growth driven by all customer segments

*Business Customers (B2X)*  
Revenue growth  
9M 2019



**Revenue Parcel**  
**9M 2019**  
(in €bn)

**Revenue growth**  
**9M 2019**  
(in %)

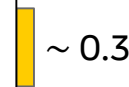
**Top accounts**  
(~ 340 customers)



**Medium accounts**  
(~ 17,000 customers)

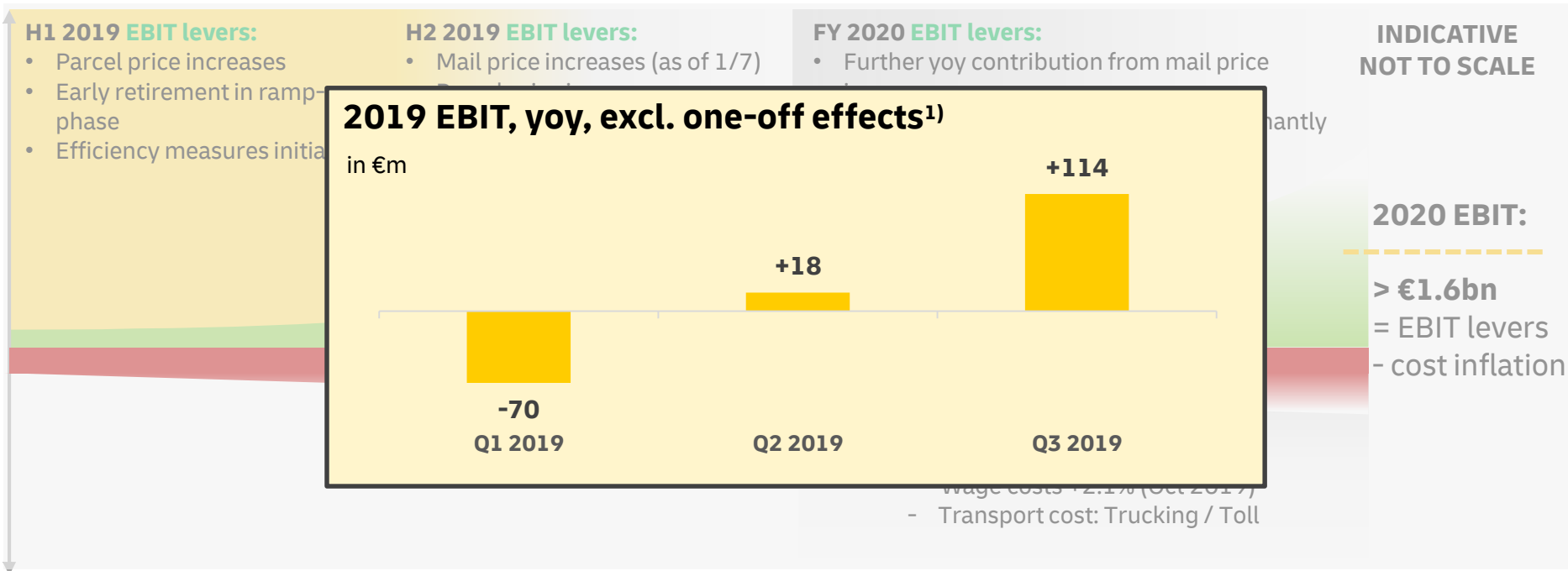


**Small accounts**  
(~ 82,000 customers)



6.8% B2X Market

# P&P EBIT bridge recap : EBIT growth accelerating as expected




1) Pension revaluation (Q1/18 & Q3/19) and restructuring costs (Q2&Q3/18 & Q3 19)


# Post & Parcel Germany: Going forward...

## Success factors vs. ongoing challenges

### Success factors

- Parcel volumes: +5 to +7% 
- Price increases in Mail and Parcel
- Decrease indirect cost base & limit increase in direct costs through productivity improvement
- Digitalization and further automation of operating processes

### Ongoing challenges

- Mail volumes: -2 to -3% 
- Structural shifts:
  - Post to Parcel
  - More goods-carrying letters
- Cost inflation:
  - Wage costs
  - Material costs, e.g. fleet

**Recover and sustain steady earnings momentum**

# Top strategic priorities for the next strategy horizon

## Strategy 2025 divided into two horizons

### Refocus on core market in Germany (2019/ 2020)

- Price increases
- Quality improvements
- Indirect cost measures (overhead)
- Direct cost measures (productivity)

### In 2020: Phase over to Roadmap 2025

- Optimized asset concept including real estate and new sorting concept for mid-sized shipments
- New features and boost of Packstation
- Accelerate digitalization in operations

**Digitalization @ P&P**



# 2019 marks return to positive productivity trend

## Continuous improvement

### e.g. in parcel centres

- Rollout of Performance Dialogue culture
- Better truck utilization through training

## Automatization

### e.g. in mail sorting

- Increase sequence sorting, incl. for high-rise buildings
- New sensors/OCR technology to increase read rate

## Digitalization

### e.g. in delivery

- Optimized delivery through route navigation
- Introduction of first new apps for site managers

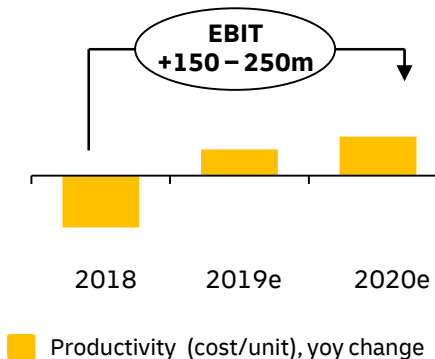
## Integration of Post & Parcel

### e.g. for small e-com shipments

- Transfer small items shipments into the mail network
- Utilize mail delivery capacity, esp. in peak season

## Productivity improvement and EBIT growth

### SCHEMATIC



# Roadmap 2025 - Initiatives

**Enable further profitable growth in parcel**

## Delivery



**~54%** - and growing –  
of Parcel deliveries done  
through joint delivery with mail

## Sorting: new initiatives



### Letters: Leverage for eCommerce and further automate

2/3 machine-sorted (increasing)

- Automatic sorting of small-format **e-commerce** shipments in our letter sorting centers
- Flexibly leverage uniquely dense delivery network and capacity in (parcel) peak season



### Parcels: optimize further

98% machine sorted

- Optimize existing hubs, e.g., with 3-5 side readers at sorters to reduce rejects
- Employ less CapEx-intensive technology, e.g., separation of small-format shipments into bags in our new parcel sorting centres

**Maximize synergies to increase Post utilization and preserve Parcel capex**

# Roadmap 2025 - Initiatives

## Packstation Boost

### Beginning of 2019

**3,700** Packstations

**~3%** DHL parcel volumes

### Plan for 2021

**~7,000** Packstations

**~5%** DHL parcel volumes

### Plan for 2025

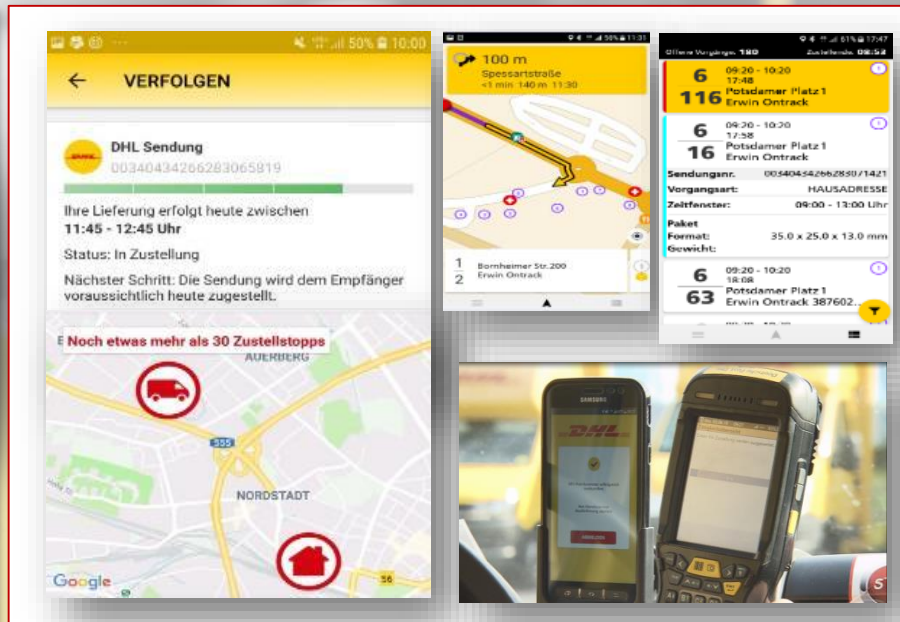
**~10%** DHL parcel volumes

#### **BENEFITS:**

- Satisfy high customer demand for convenient, 24/7 delivery option
- Reduce delivery cost due to high drop factor, lower cost lockers and lower rent for space
- Provide further capacity to handle e-commerce-driven parcel growth

# Roadmap 2025 - Initiatives

## Digitalization of Delivery



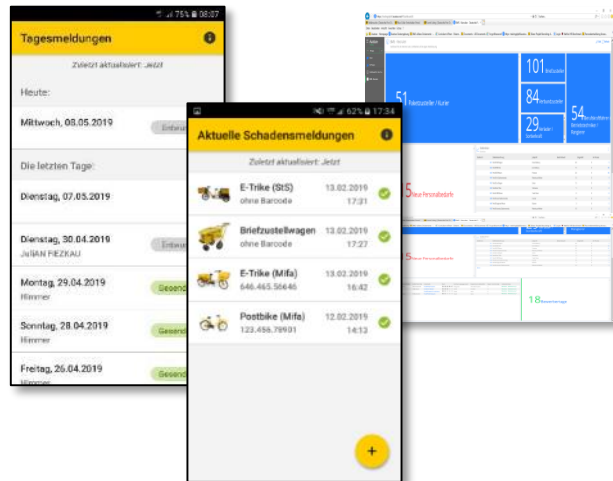
## Delivery

E.g. Rollout of ,OnTrack':

- Operations benefit:  
Better driving sequence and mobile navigation (less training, less stops missed)
- Customer benefit: Live tracking and time window delivery for standard parcels
- Other benefit: less waiting-time "at door" (much bigger effect than optimizing route)

# Roadmap 2025 - Initiatives

## Digitalization of site management and staff deployment



„Digital delivery depot/ delivery district“:  
different Apps for operational processes

### Site Management

- Support site managers through better data and visibility (e.g., expected shipment volume per day/district, status of transport to site, delivery performance/issues per district)
- Increased visibility on unit cost/ profitability on granular level
- Digital workflow, e.g., repair/maintenance orders



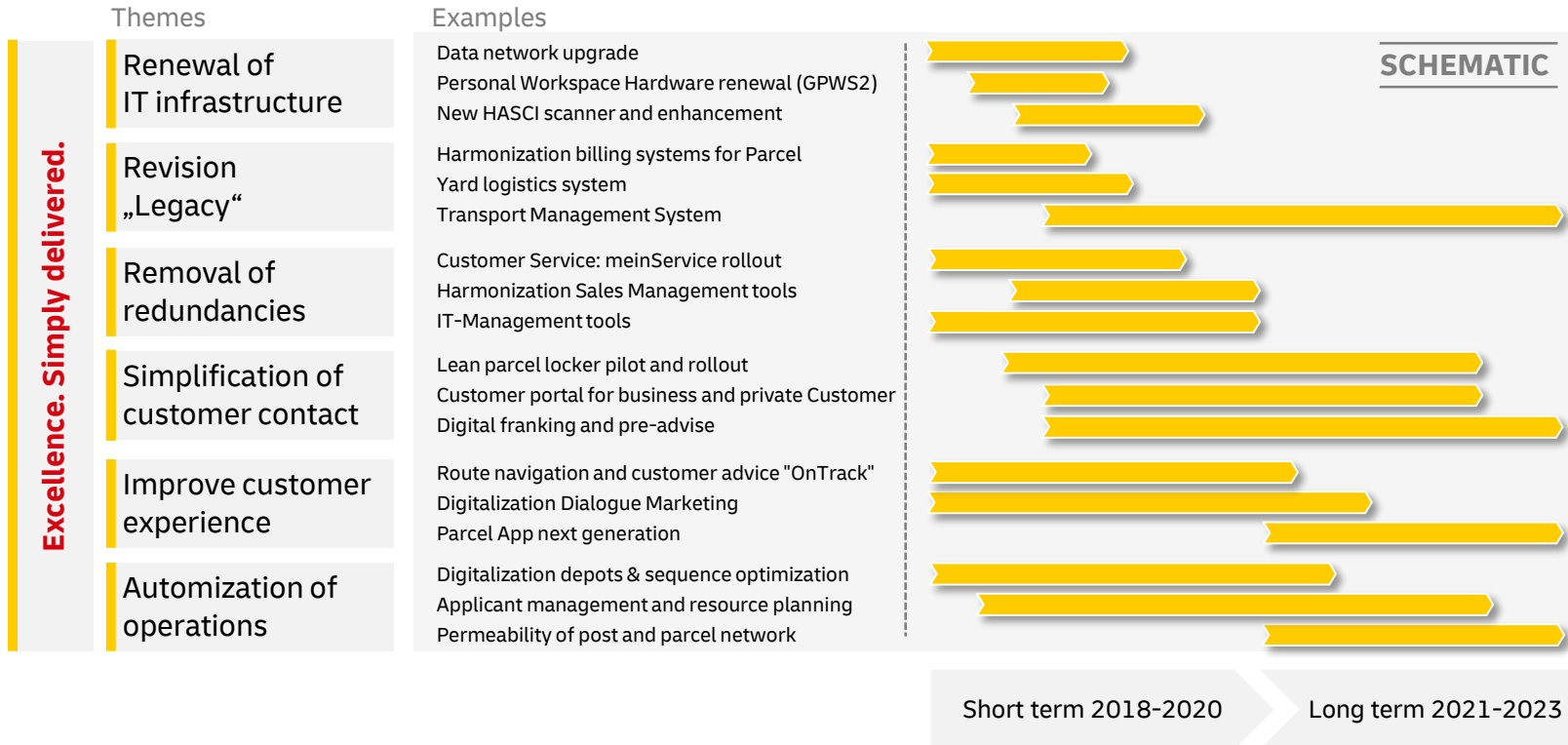
### Staff Deployment

- Introduction of IT based applicant management
- Digital support for staff planning and scheduling
- Online interaction with staff and replacement of paper processes



# Digitalization @ Post & Parcel Germany

## Roadmap-based development/simplification of IT landscape



# Post & Parcel Germany: Financial Outlook

## Market (2018 – 25)

### Market growth assumptions

- Mail volume:  decline of -2 to 3% p.a.
- Parcel volume:  growth of +5 to 7% p.a.

### Expected growth vs. market

**IN LINE****AT LEAST IN LINE**

## Capex Outlook

- Capex p.a. between 500 and 600m€ for the next three years
- Expansion of Parcel infrastructure (e.g. Packstation, hubs, depots, fleet), new sorting concepts and digitalization

## EBIT Outlook

### 2020

- Guidance confirmed:  
€ >1.6bn
- Margin ~10%

### Beyond 2020

- Slow topline growth with stable margin



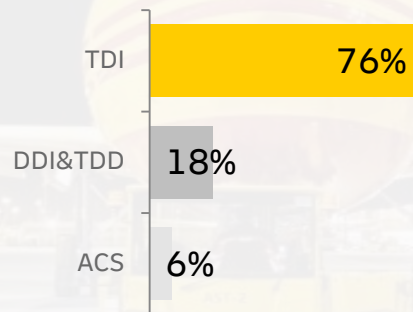
# DHL Express are the 'Experts in Export and Import'

## The Profitable Core

Time Definite International (TDI) service for premium, cross-border delivery of time-critical parcels and documents

## Revenue Mix<sup>1)</sup>

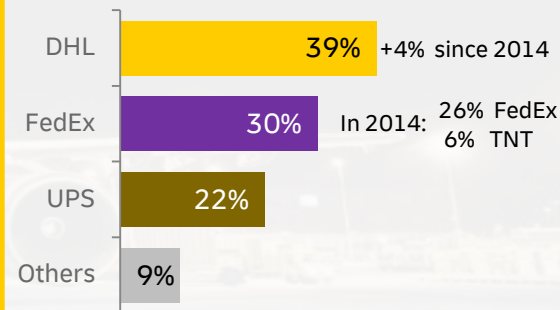
(€bn, FY 2018)



<sup>1)</sup> TDI: Time-Definite International, DDI: Day-Definite International, TDD: Time-Definite Domestic, ACS: Air Capacity Sales

## Global TDI market<sup>2)</sup>

(2018)

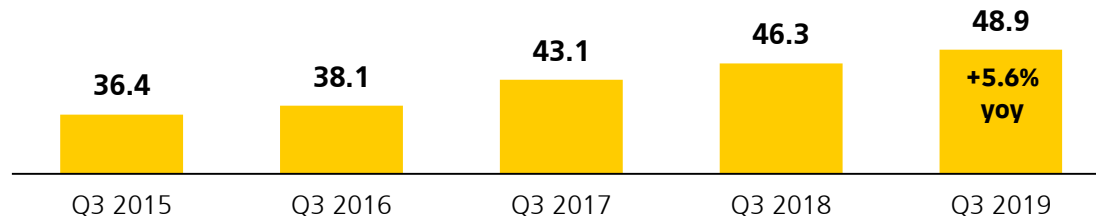


<sup>2)</sup> Source: Market Intelligence 2017, annual reports

# Express: Continued solid TDI volume and revenue growth

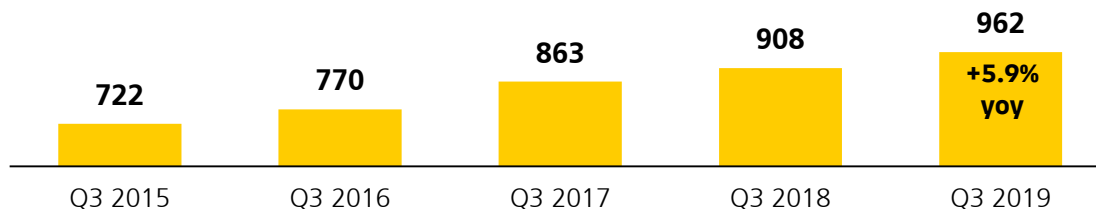
## REVENUE PER DAY

in €m



## SHIPMENTS PER DAY

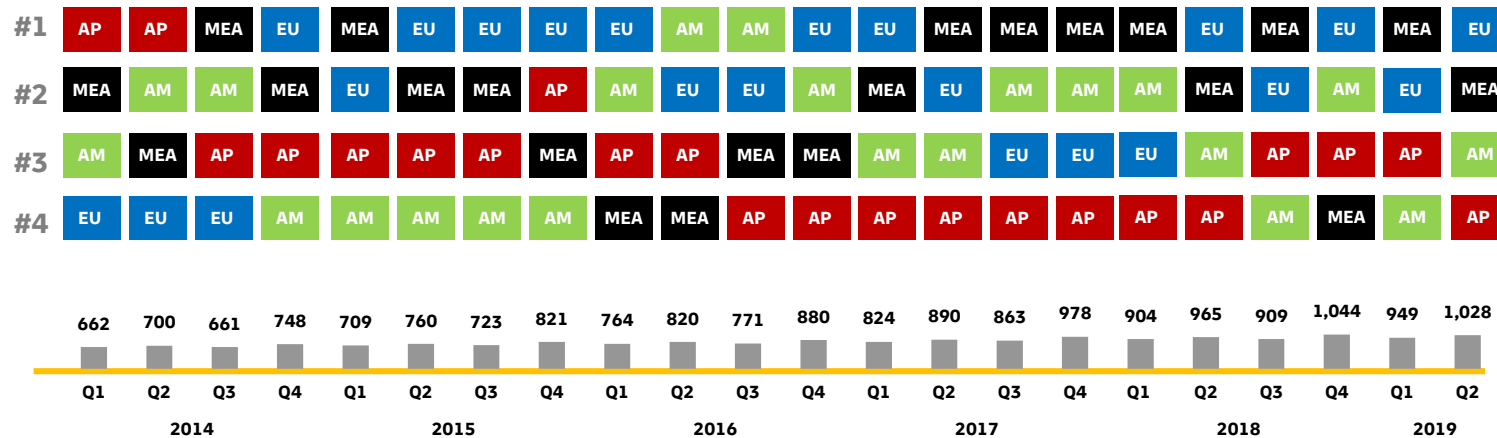
'000s



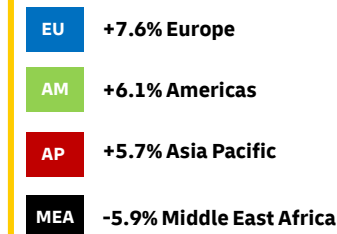
- TDI volume growth remains very solid as growth in premium B2C balances slower growth in B2B due to macro uncertainties
- As expected, revenue and volume growth rates again closer as mix effects from heavyweight measures have annualized

# Trade flows with constant variation in regional pattern

Quarterly growth ranking 2014 - 2019, TDI volume growth



Q3 TDI Shipments  
per day



TDI Shipments/ day

# Express: TDI focus drives sustained growth momentum

## TDI Shipments per Day

	2015-2018	9M 2019
<b>DHL EXPRESS</b>	7-10%	5.8%
<b>B2B</b>	<b>Mid</b> single-digit	<b>Low</b> single-digit
<b>B2C</b>	20 plus %	10 plus %



# E-commerce is an attractive TDI vertical supporting Express profit growth

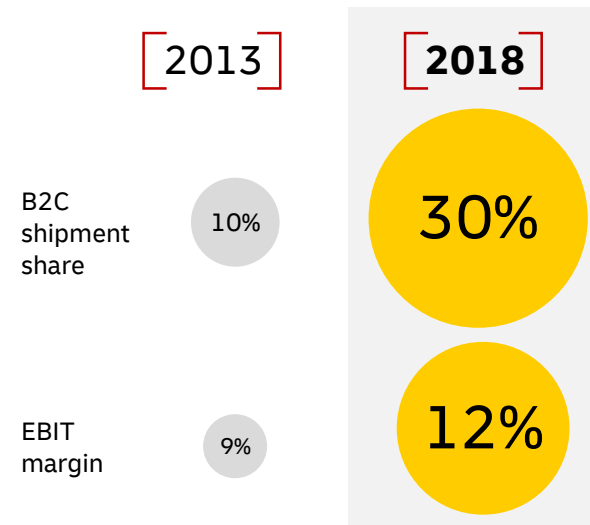
## We...

- ... manage e-commerce as a TDI vertical
- ... continuously enhance TDI capabilities to meet e-commerce requirements
- ... sell e-commerce to SME

## Going forward we'll continue to:

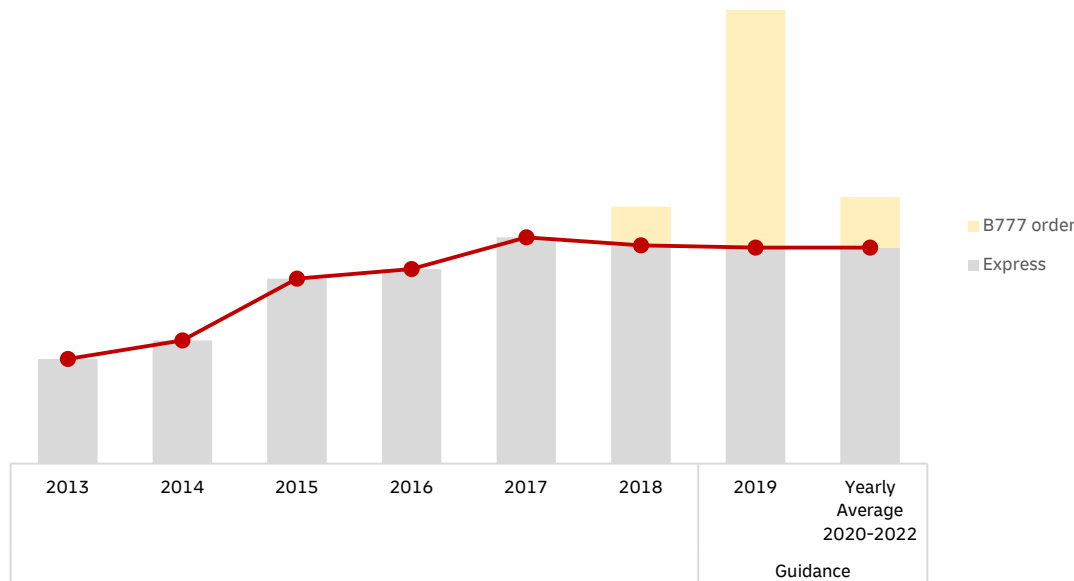
- maintain disciplined approach to **sales** and **pricing** across the network
- explore and engage in **partnerships** that strengthen our position in this field
- develop **TDI capabilities** to meet B2C and B2B demands

## DHL Express



# Express capex – 777 investment peak in 2019, flat around €1bn excl. 777 order

## EXPRESS Gross Capex development



2013-2018:

**> 300,000** TDI shipments **per day more** since 2013



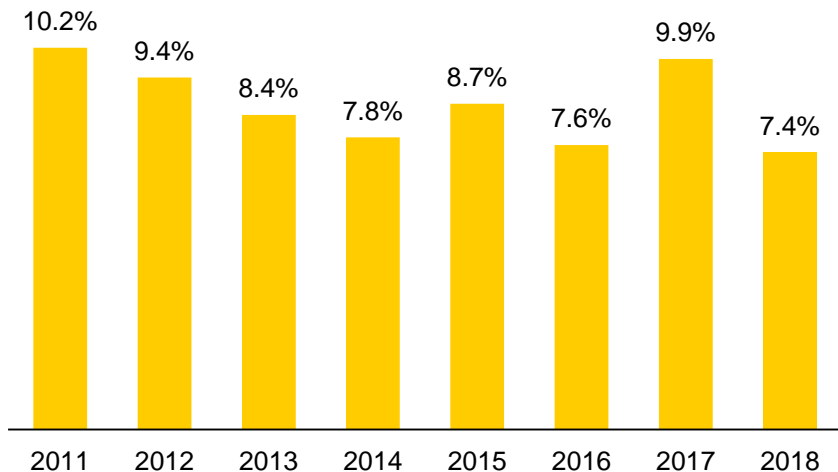
Outlook:

Expect **+4-5%** TDI market **volume growth** p.a.

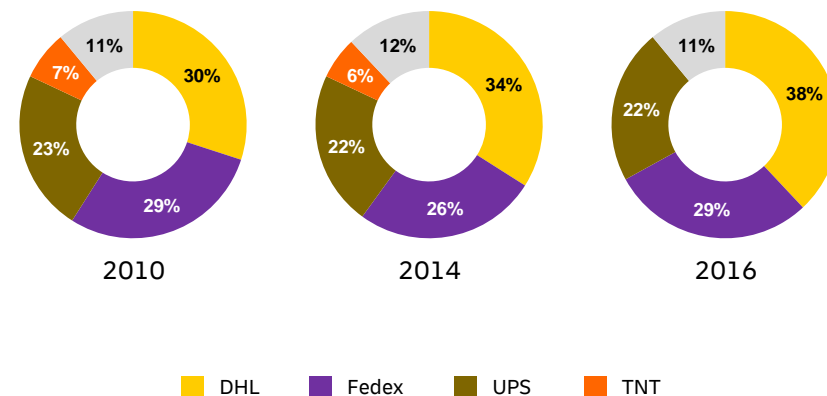
# Focus on TDI is Our Key to Success

Leading global network & “insane” customer centricity & certified employees = consistent strong TDI growth and market share expansion

DHL EXPRESS, TDI SPD YOY



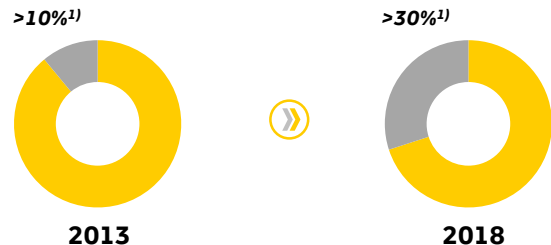
TDI, GLOBAL MARKET SHARE



1) includes 4% TNT

# E-commerce is a Profitable Growth Driver for DHL Express

Portion of B2C TDI shipments has increased over time



**We treat B2C/e-commerce shipments as a TDI vertical**

- applying the same yield discipline
- using B2C requirements to enhance the overall TDI service and capabilities
- equipping our sales force to effectively sell to e-commerce customers
- engaging in partnerships to grow cross-border e-commerce

<sup>1)</sup> Indications based on medium to large B2C customers of top 30 countries

**We grow B2C profitably because 90% of the KPIs perfectly suit our network**

- |                   |   |  |   |
|-------------------|---|--|---|
| <b>SpD</b>        | » | Volume growth drives better utilization of existing network                    | ↑ |
| <b>WpS</b>        | » | Lower weight per shipment  | → |
| <b>RpK</b>        | » | Higher RpK related to lower WpS  | ↑ |
| <b>First mile</b> | » | More pieces per stop at pickup   | ↑ |
| <b>Hub sort</b>   | » | Better utilization of existing infrastructure, with high degree of conveyables | ↑ |
| <b>Airlift</b>    | » | Better utilization of existing capacity, with lower WpS being advantageous     | ↑ |
| <b>Last mile</b>  | » | Residential delivery to private households                                     | ↻ |



**X-Border e-commerce has developed into an important TDI vertical and profitable growth driver**



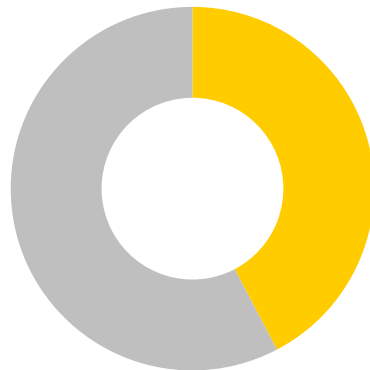
# Intercontinental Fleet: Use Replacements as Opportunity to Move Towards Higher Ownership Structure

## Dedicated fleet (w/o feeders)

2010: ~150 planes



2018: >200 planes



Owned Lease

## 2010-18: fleet expansion

- Expansion based on successful virtual airline model – gradual shift in mid-sized, regional segment from leases to ownership
- Today: well balanced fleet regarding ownership and maturity – ownership structure of intercont fleet still more tilted towards leases

## Outlook: intercont replacements by new, owned planes

- Order for 14 Boeing 777s signed, in-line with intentions announced at May 2018 CMD – first delivery expected in 2019
- New aircraft are capacity neutral but bring significant cost, efficiency and reliability benefits
- Any further fleet expansion to be carefully considered in line with market growth expectations

# DHL Express: Financial Outlook

## Market (2018 – 25)

### Market growth assumptions

- TDI volume growth: 4-5%

### Expected growth vs. market



**AT LEAST IN LINE**

Supported by unchanged strong yield discipline

## Capex Outlook

- Excl. current replacement order for Boeing 777s, capex flat around 2018 level of €~1bn for next 2-3 years
- Investment in expansion and digitalization along whole value chain (air & ground fleet, hubs/gateways/depots)

## EBIT Outlook

- Continued growth of absolute EBIT
- Continued, but more incremental margin expansion

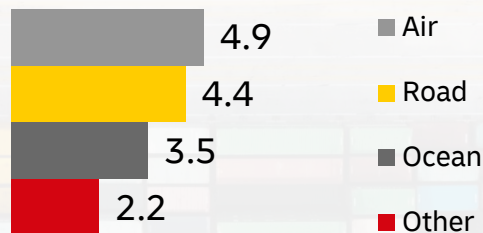
# DGFF - The foundation for further success has been laid

## The Profitable Core

**International transportation of Air Freight, Ocean Freight and Road Freight including Customs Clearance and related Value-added Services** like warehousing, cargo insurance, etc.

## Revenue Mix

(€bn, FY 2018)



## Market Position

(2018)



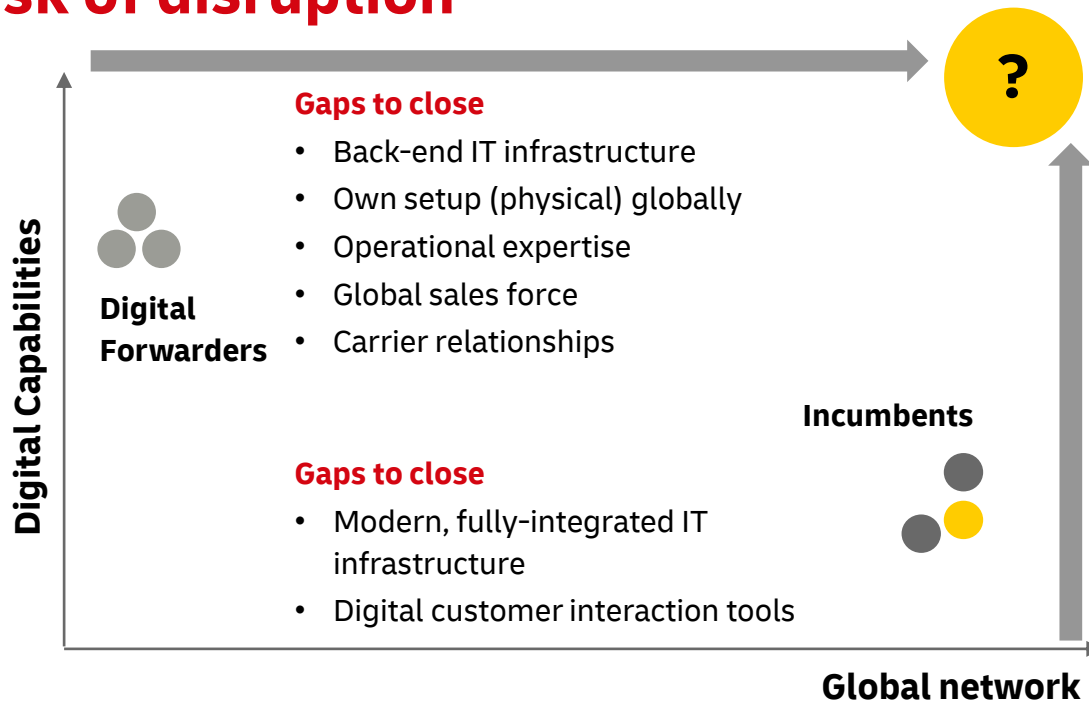
# DGFF: Preserving GP in challenging markets

Q3 2019 yoy	Air Freight	Ocean Freight
Volumes	<b>-5.1%</b>	<b>+2.8%</b>
Gross Profit	<b>+2.1%</b>	<b>-2.4%</b>
GP/EXP t ; GP/TEU	<b>+7.6%</b>	<b>-5.0%</b>

- Subdued market environment reflecting general macro and trade worries, particularly in AFR
- Overall DGFF Gross Profit still up 3.0% yoy, supported by increases in AFR, Other and Freight



# DGFF - Emerging new rivals do not pose imminent risk of disruption



# DGFF IT infrastructure - IRR / Cargowise 1 builds a fully-integrated foundation

CargoWiseOne

**Foundation of further modular  
applications for Digital Customer  
interaction**

## **Benefit realization just started**

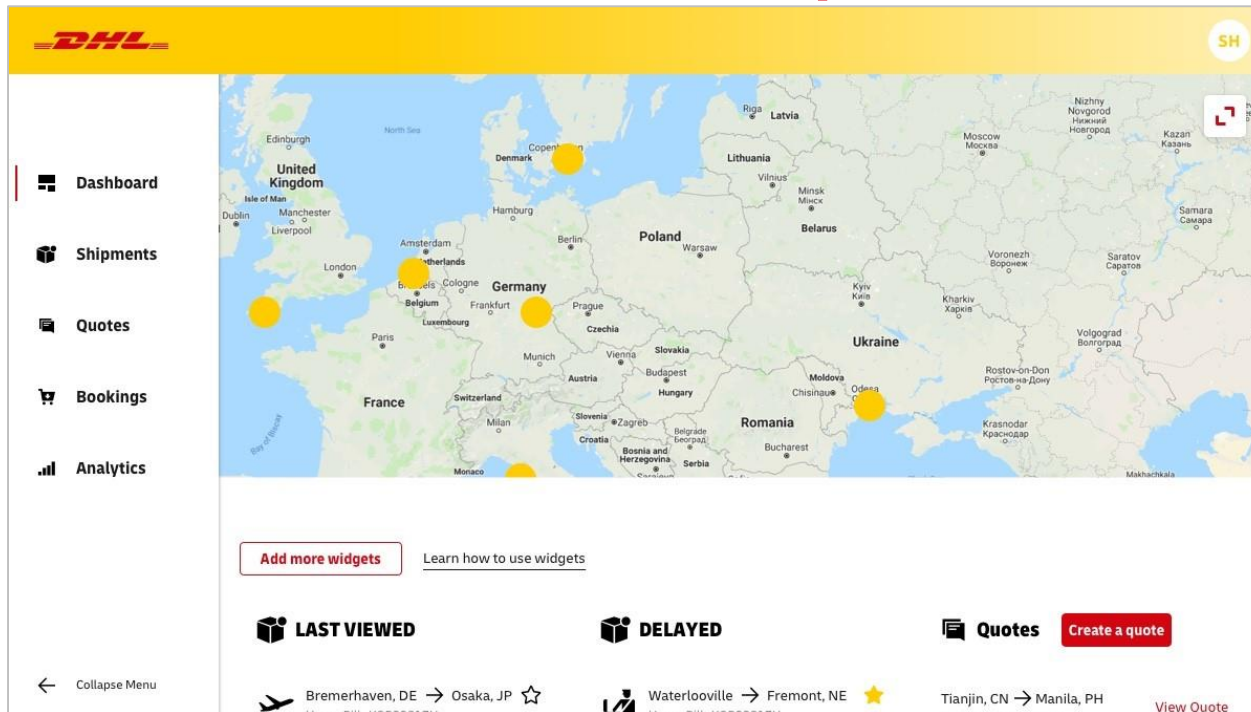
IRR applications enable

- Automation
- Data accuracy
- E2E shipment ownership
- Gradual harmonization of our process and application landscape



**By the end of 2019 we aim for >95% of Ocean Freight volumes on CW1;  
rollout of Air Freight has started**

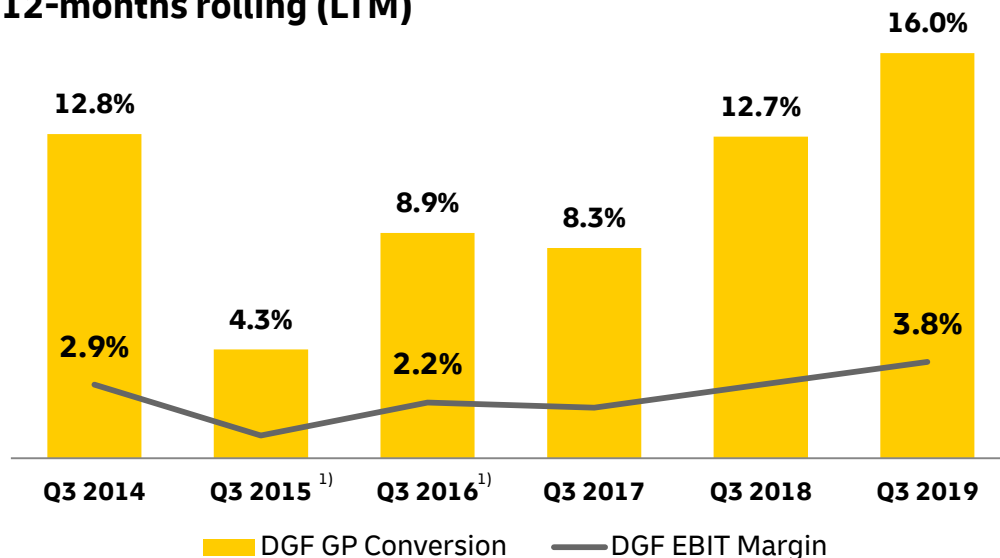
# Complemented by DHL Interaction applications to enhance our customer experience



- **DGF's one-stop customer portal** to excellence in digital transport logistics
- **Delivers fast and accurate information** to enhance decision-making
- **Follow and share** shipment details with all relevant **shipment parties**
- **Integrated** quoting capability, reporting and analytics features available

## DGF: GP-to-EBIT conversion improvement ongoing

DGF EBIT margin and GP/EBIT conversion,  
12-months rolling (LTM)

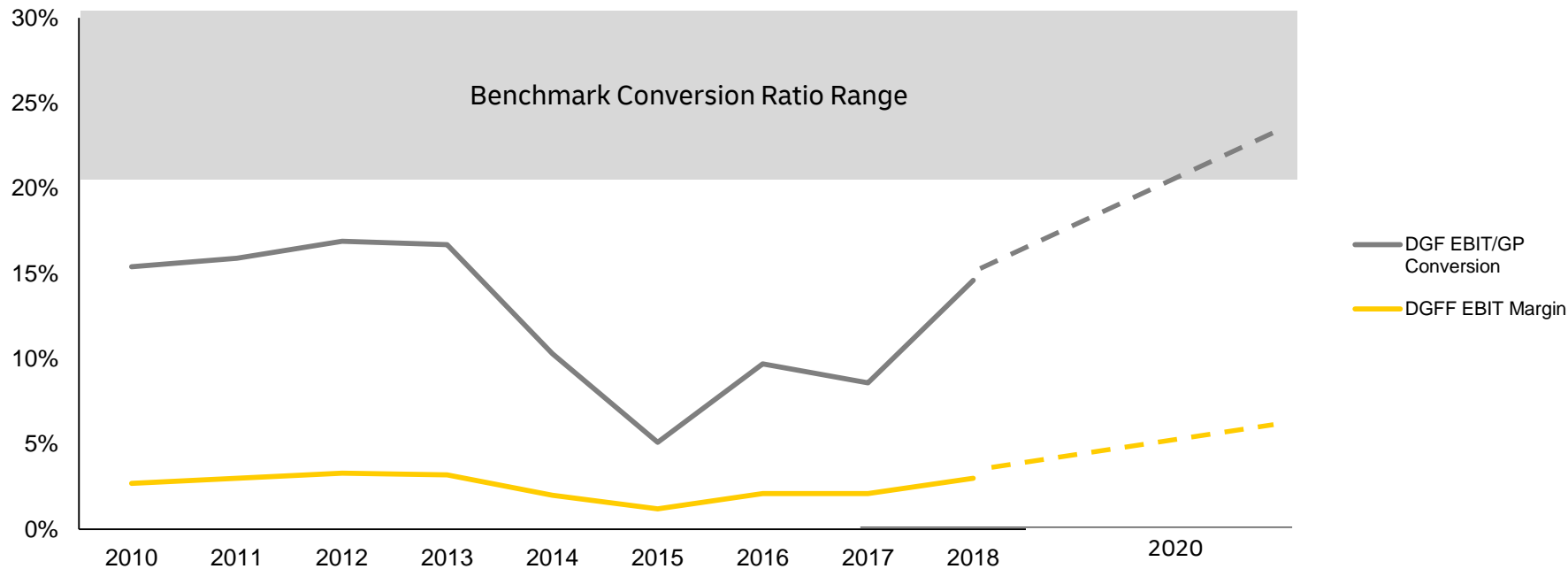


1) Adjusted for NFE one-off

- Absolute GP generation supported by improved GP margin in AFR, Other and Freight
- GP-EBIT conversion improvement achieved through internal agenda of self-help measures, incl. IT roll-outs



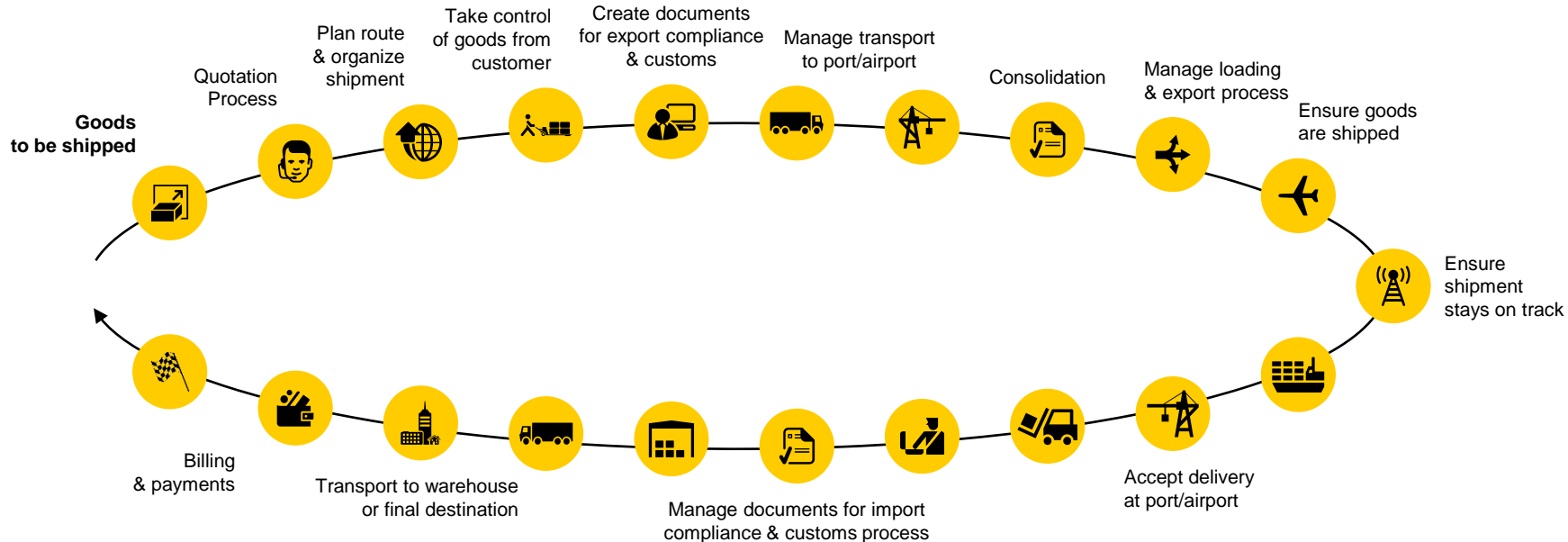
# Simplify Strategy Aims to Close the Gap Towards Benchmark Profitability



**No structural barriers – we have the right combination of people, business model, processes and IT renewal to achieve benchmark conversion ratios over time**

# The Lifecycle of a Shipment is a Complex Process

Forwarding is more than brokerage of transport, it is managing all the steps along the way



**Success in Forwarding is built on experience, customer relationships, processes and in some aspects, such as consolidation, is also a function of scale**

# DGFF: Financial Outlook

## Market (2018 – 25)

### Market growth assumptions

- Airfreight +1-3% ; Ocean Freight +2-4%
- Road Freight +3-4%

### Expected growth vs. market



Aligned with unchanged focus on GP optimization and profitable growth

## Capex Outlook

- Flat / slightly increasing from FY18 levels (€110m)
- Asset light business model: Selected investments related to warehouses, sites and IT

## EBIT Outlook

- DGF GP-EBIT conversion improvement of 100-200 bps p.a.
- **2020 target:** 20% DGF GP-EBIT conversion
- **Long-term target:** ~30% DGF conversion driving 5-6% DGFF EBIT margin

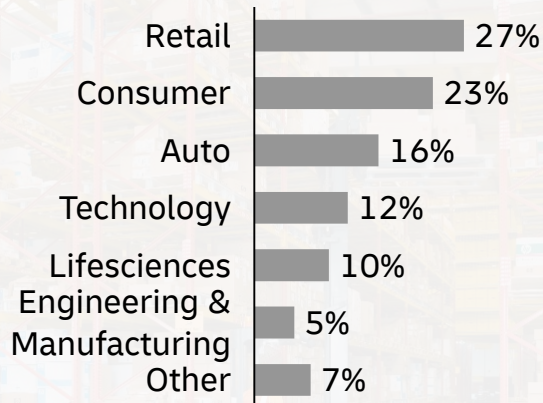
# DHL Supply Chain: Business Overview

## The Profitable Core

- We **manage supply chains** to reduce complexity for our customers.
- Our profitable core includes **warehousing, transportation** as well as **key solutions** like LLP, Service Logistics, packaging and e-commerce
- We lead in **innovation** and **sustainable** solutions

## Revenue Mix

(%, FY 2018)



## Key Facts

**~2,000** sites globally

**35%** of revenue is transport

**>160,000** employees across 55 countries

**>180 annual** project go-lives with **100%** start-up performance

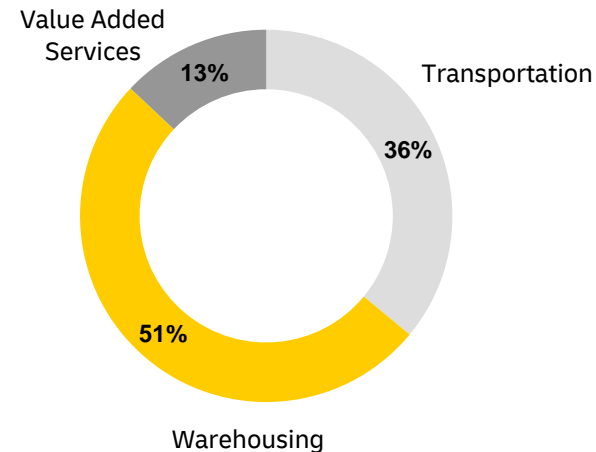
# DHL Supply Chain: Solutions Overview

## Offering Customized Solutions Across the Entire Supply Chain



..... End-to-end supply chain    — Supply Chain services

## Revenue by Service Area FY 2018

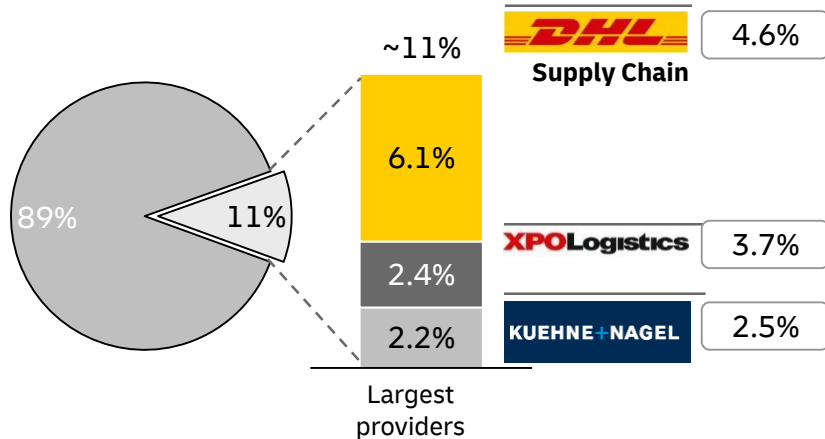


# DSC Supply Chain is the global market leader in absolute size and EBIT margin

## 2018 market share of the top 3 global contract logistics players<sup>1)</sup>

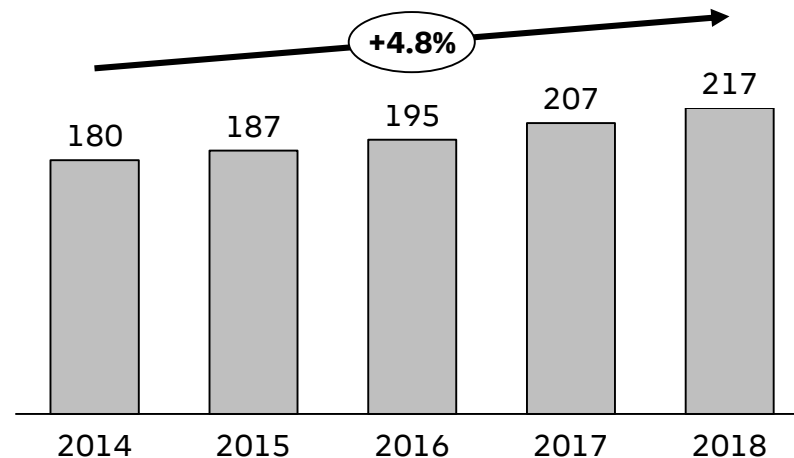
Total outsourced market revenue = €217.3 bn

EBIT margin



<sup>1)</sup> Internal calculation

## Contract Logistics Market (€ bn), growth



# #ExecutionEdge: Standardization is key to success

## – DSC leverages a holistic Management System

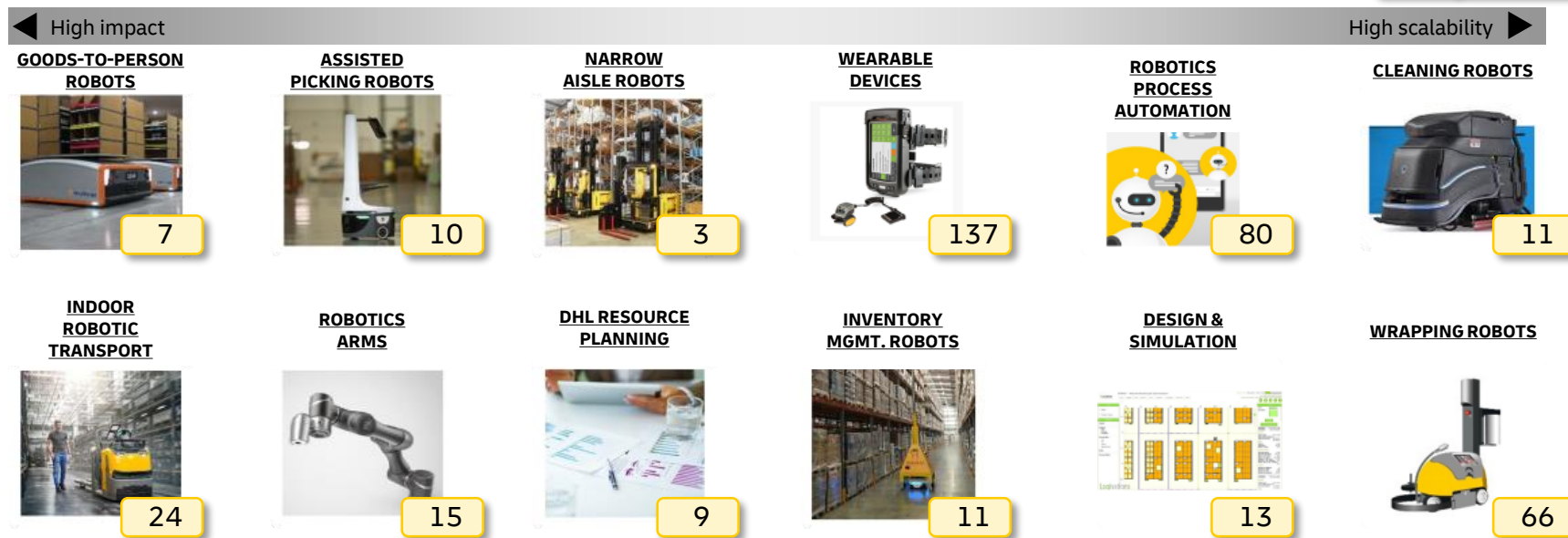
### Operations Management System First Choice (OMS FC)



# #OwnTomorrow: Leading the industry in innovation deployment with the Accelerated Digitalization Program

DSC has a clear focus on technologies that can be scaled widely and selected high impact technologies

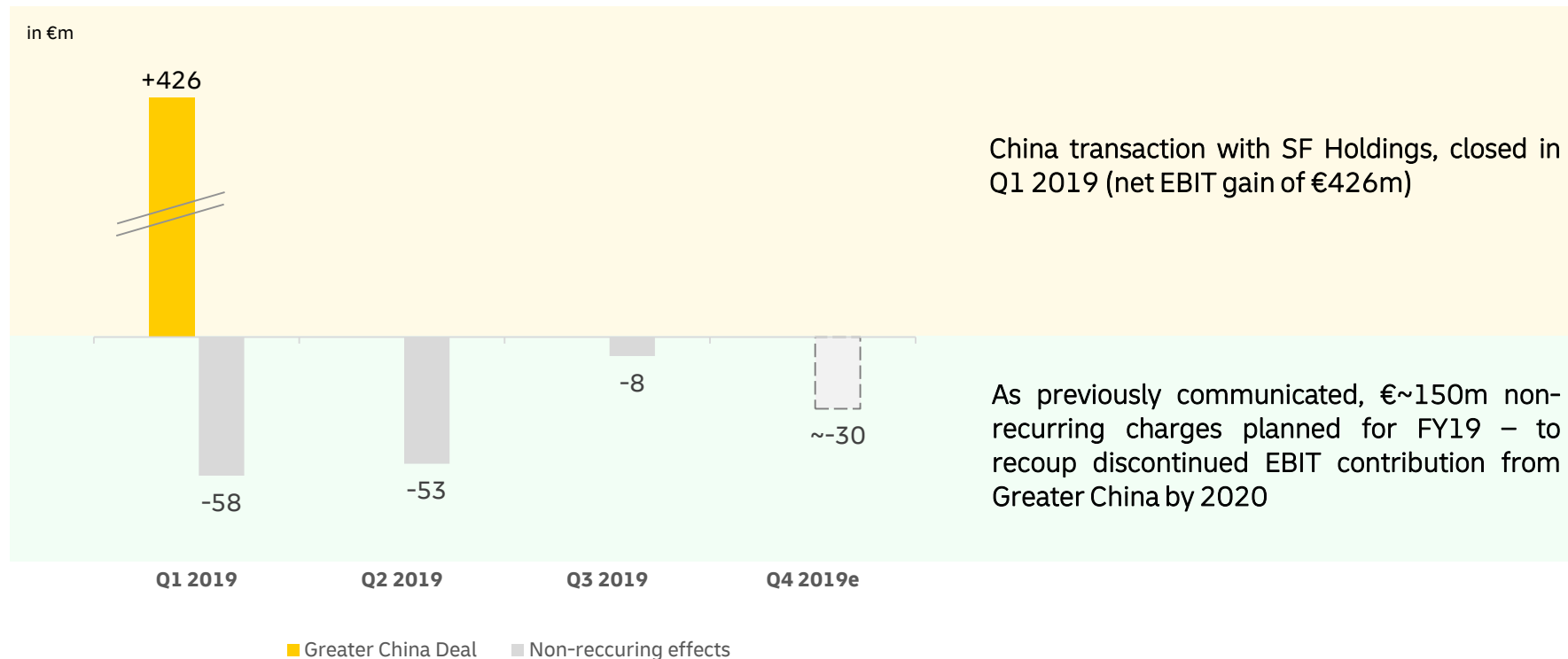
# projects on deployment  
& of go-lives completed



Source: AD Collaboration Hub, SD Automation Tracker, Salesforce; 1) Number of unique sites/customers identified by DSC facility/customer ID in deployment phases 02. Site Assessment or further along deployment process (i.e. excluding opportunities not assessed). Blank customer/facility IDs are ignored; 2) Parent customer accounts that generated revenue in the last financial year; 3) Incl. new business and renewals. As measured by SD Automation Tracker by KPI "Technologies proposed"



# DSC: Summary of 2019 non-recurring effects



# DHL Supply Chain Financial Outlook

## Market (2018 – 25)

### Market growth assumptions

Outsourced contract logistics:

Revenue growth of ~4% p.a.

### Expected growth vs. market



**AT LEAST IN LINE**

## Capex Outlook

- Slightly increasing from FY2018 levels (€282m) driven by new business wins
- Asset light business model
- Selected investments related to new business start-ups and accelerated digitalization initiatives

## EBIT Outlook

- Topline growth at least in line with market, while maintaining selective business approach
- Maintain industry leading margin at ~5%

# DHL eCommerce Solutions – Business Overview

Going forward we focus on domestic and non-time-definite international parcel delivery - especially within Europe

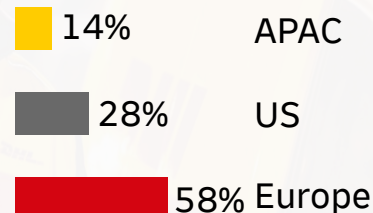
## The Profitable Core

**Domestic last mile parcel delivery** in selected countries outside of Germany (**Europe**, USA and selected Asian emerging markets)

**Non-TDI cross-border services** primarily to/from and within Europe.

## Revenue Mix

(€bn, H1 2019)



## We are **not**

... driving a **group-wide e-commerce logistics global strategy**

... focusing on **B2C only but also on B2B** across all verticals

... the **testing environment** anymore (e.g. eFulfillment or Parcel Metro)

# We have taken significant actions in 2019

## Portfolio Review

- **Separate collaboration agreements signed with Austrian Post** for Austria, Slovakia (Last-mile with Austrian Post), Czech Republic (Last-mile with DHL/PPL)
- **Assessment** of most promising **value proposition** per market with a **clear view on sustainable profit generation**

## Strict cost management

- **Restructuring of overhead completed**
  - » New lean structure implemented
- **Review of business plans of portfolio countries:**
  - » Focus on profitability through limited capex spend and increased asset utilization



# Thereby we are focusing on two value streams



## Domestic last mile delivery

- High quality delivery in **own and partner-networks**
- Healthy **mix of B2C and B2B** across all verticals
- Strong focus on **yield and profitability**



## Non-TDI cross-border

- Strong growth in cross border retail
- Changing expectations on **speed, visibility & quality**
- Primary focus **to/from and intra Europe**
- Parcel Connect in Europe a **strong and growing platform**

# DeCS Financial Outlook

## Market (2018 – 25)

### Market growth assumptions

Strong, heterogeneous growth across domestic and cross-border ecommerce markets

### Expected growth vs. market

CAGR of 5-10% across all businesses

Based on selective B2C approach and added B2B focus

## Capex Outlook

- Average spend of ~€200m p.a. over 2019-2022 (2018: € 166m)
- Investments along whole value chain: fleet replacement, network expansion, digital platform, machinery and equipment in hub and depots

## EBIT Outlook

### 2020

- Positive €+100m y-o-y EBIT improvement in 2020, leading to the unchanged expectation for positive EBIT contribution of €0-100m in 2020

### Beyond 2020

- 5-10% sales growth with gradual margin expansion towards 5% long term margin across all businesses



# Summary divisional outlook: Strategy 2025

## P&P Germany

- 2020: Guidance confirmed: €>1.6bn; Margin: ~10%
- Beyond 2020, slow topline growth with stable margin

## EXPRESS

- Continued growth of absolute EBIT
- Continued, but more incremental margin expansion

## DGFF

- DGF GP-EBIT conversion improvement of 100-200bps p.a.
- By 2020, 20% DGF GP-EBIT conversion
- Long-term target: ~30% DGF conversion driving 5-6% DGFF EBIT margin

## DSC

- Topline growth at least in line with market
- Maintain industry leading margin at ~5%

## DeCS

- Positive EBIT contribution as of 2020
- Gradual increase towards 5% long term margin thereafter

**DPDHL Group Intro**

**Strategy 2025 Group Strategy**

**Strategy 2025 Divisional Strategies**

**Group Financial Backup**





## Q3 2019 Group P&L

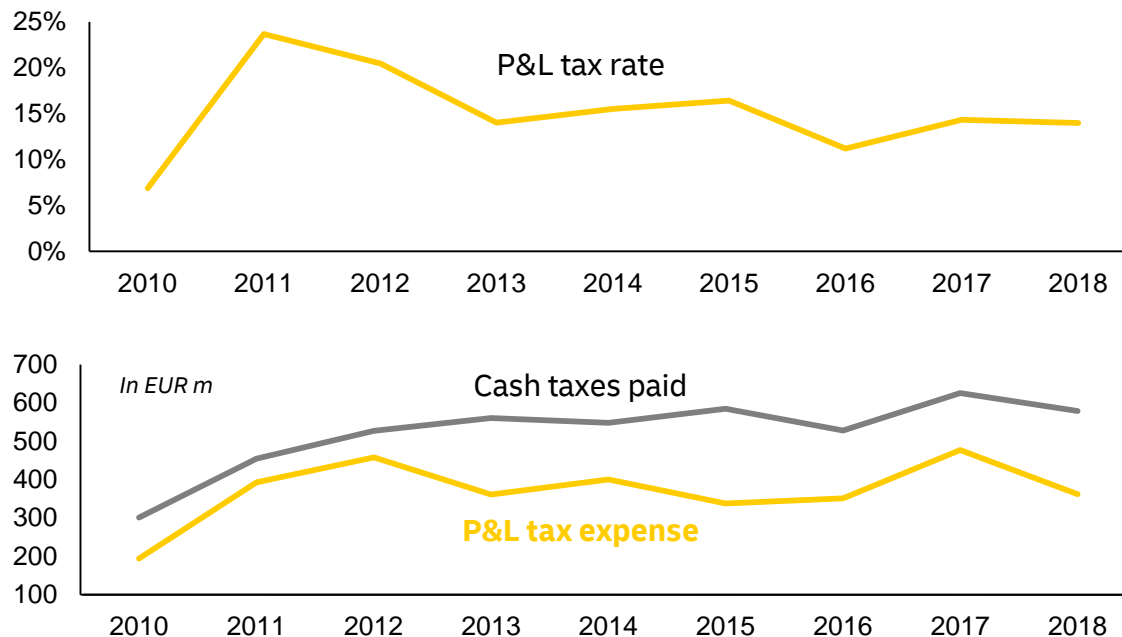
in €m	Q3 2018	Q3 2019	vs. LY
<b>Revenue</b>	14,849	15,552	+4.7%
<b>EBIT</b>	376	942	>100%
Financial result	-159	-173	-8.8%
Taxes	-31	-169	<-100%
<b>Consolidated net profit*</b>	146	561	>100%
<b>EPS (in €)</b>	0.12	0.45	>100%

\*after minority interest

# Q3 2019 Group Cash Flow

in €m	Q3 2018	Q3 2019	vs. LY
<b>EBIT</b>	<b>376</b>	<b>942</b>	<b>+566</b>
Depreciation/Amortization	838	917	+79
<b>Operating Cash Flow before chg in WC</b>	<b>1,376</b>	<b>1,414</b>	<b>+38</b>
Changes in working capital	45	455	+410
<b>Operating Cash Flow</b>	<b>1,421</b>	<b>1,869</b>	<b>+448</b>
Net Capex	-732	-801	-69
Net Cash from Leases	-536	-571	-35
Net M&A	-6	16	+22
Net interest	-4	-6	-2
<b>FCF</b>	<b>143</b>	<b>507</b>	<b>+364</b>

# P&L Tax Rate And Cash Taxes Paid Expected to Increase

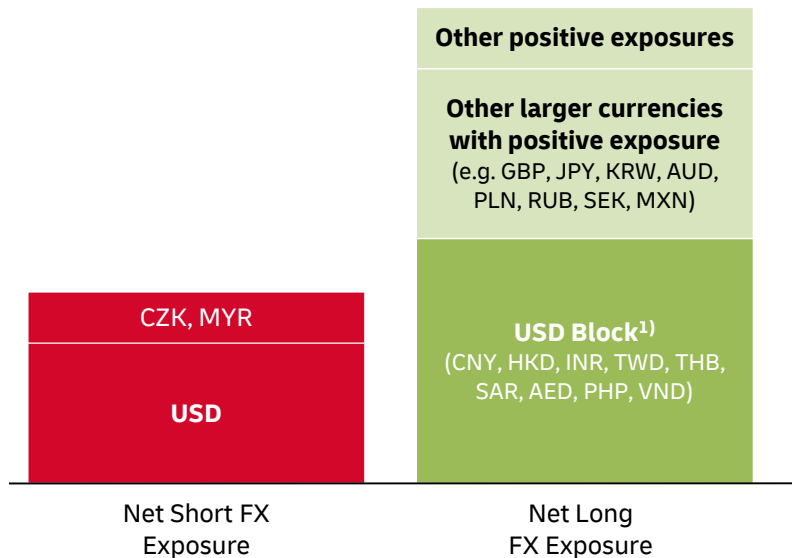


- Main difference between P&L tax expense and cash taxes paid arise from deferred tax assets
- No additional tax loss carryforwards to be capitalized as deferred tax assets in Germany in 2018
- Not yet capitalized tax loss carryforwards amount to EUR 6.4bn, most of it in the US
- Cash taxes paid will increase in line with anticipated growth in profitability



**P&L tax rate expected to reach mid-to-high 20% range by 2020**

# FX Movements are Part of Being the Most Global Company in the World



## FX effects are mainly translational

- EUR appreciation => lower revenue and EBIT
- Direct USD exposure actually more than offset by USD-correlated block => USD depreciation = positive stand-alone, but in practice most often offset by FX movements in the USD block
- More than 50% of FX effects in 2018 came from outside of the big currencies











## Ultimately, FX volatility is unavoidable and best managed by the business

- We do only opportunistic hedging (e.g. Brexit)
- Difficult to model FX externally due to the many cross currency dependencies

<sup>1)</sup> Currencies with a correlation to the USD above 75%

# IFRS 16: Major Effects on 2018 P&L

€m

<b>Revenue</b>			<b>No changes</b>
Materials expense	-2,056		Decrease as lease expenses to be recognized as depreciation and interest costs – only exemptions for short-term leases and low-value assets, which stay in material costs
<b>EBITDA</b>	<b>+2,056</b>		<b>Increase due to lower materials expenses</b>
D&A	+1,877		Increase due to new depreciation of capitalized operating-lease-assets
<b>EBIT</b>	<b>+179</b>		<b>EBIT increase as operating lease expense replaced by depreciation and interest</b>
Net finance costs	-376		Increase due to interest cost component booked in finance cost
Income taxes	-28	 	Lower during first years due to higher deferred tax assets
<b>Cons. Net Profit</b>	<b>-169</b>	 	<b>Whilst neutral over time, timing effect due to higher interest during first years</b>

# IFRS 16: Implications for DPDHL Group

**Scope at DPDHL Group: >25,000 leasing contracts, covering >35,000 assets**







## **Major impacts on 2018 results:**

P&L	EBIT: increase of €179m
Balance sheet	Net debt: €9.2bn (from initial recognition of lease liabilities)
FCF	FCF: no change based on new definition: OCF – <i>net cash for lease liabilities</i> - net capex - net M&A - net interest
Credit Rating	No impact on rating and related metrics expected









No effect on actual cash generation and debt rating

# Cash Flow Outlook: overview of major drivers (1/2)

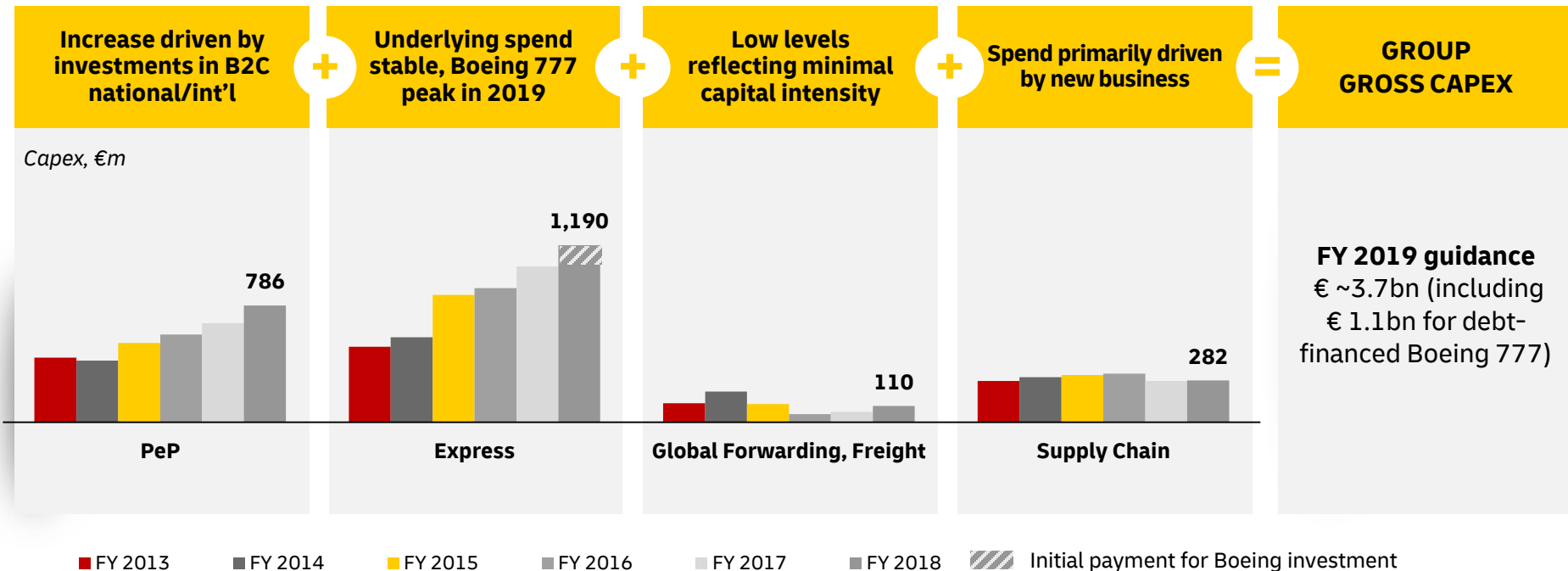
<i>in €bn</i>	2019e	20e vs 19e	Main Drivers
EBIT	3.9 to 4.3		2020 EBIT guidance : >€5bn
Depreciation/amortization	~ +3.6		Slight increase in line with Capex
Change in provisions	~ -0.7		2019 from P&P early retirement: ~€-100m cash-out and ~€-200m cash-neutral movement towards other liabilities
Income taxes paid	-0.7 to -0.8		Rising EBT at stable cash tax rate (~22%)
Change in WC / Other	-0.4		2019 includes reversal of China EBIT gain and build-up of ~€200m other liabilities from P&P early retirement
OCF after changes in WC	5.7 – 6.0		Improvement driven by EBIT growth

## Cash Flow Outlook: overview of major drivers (2/2)

<i>in €bn</i>	2019e	20e vs 19e	Main Drivers
OCF after changes in WC	5.7 – 6.0		Improvement driven by EBIT growth
Net Capex	~ -3.5		Slight gradual increase in divisional capex spendings; Boeing 777 order: ~€1.1bn in 2019, ~€500m in 2020
Net Cash for Leases	~ -2.2		Slightly increasing in line with business growth
Net M&A	~ +0.6		2019: China DSC deal; 2020: no significant M&A planned
Net Interest	~ -0.1		In line with 2019
Free Cash Flow guidance	>0.5		Improvement vs 2019 trough

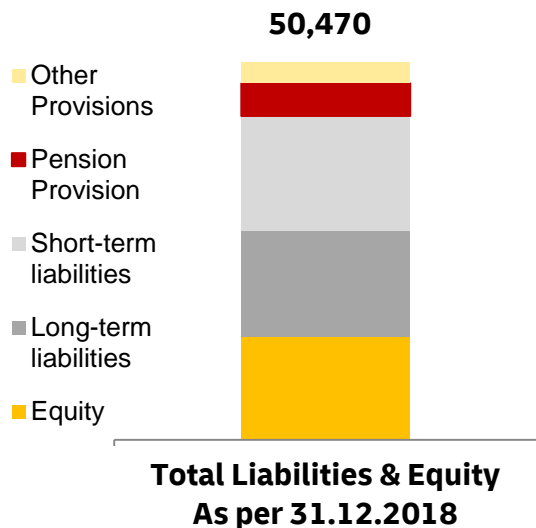


# Gross Capex: Recent History and Outlook

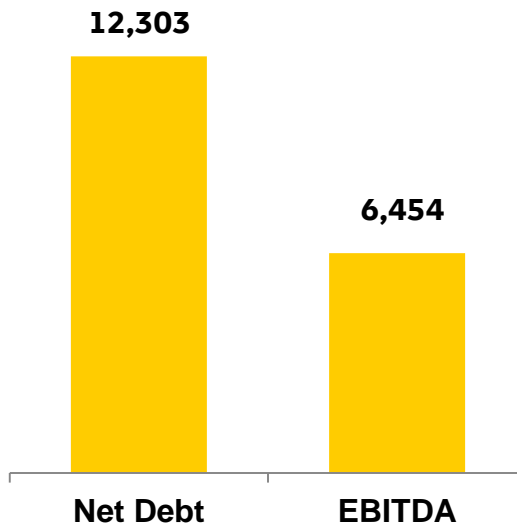


# Healthy Leverage Ratios Even After IFRS 16 Implementation

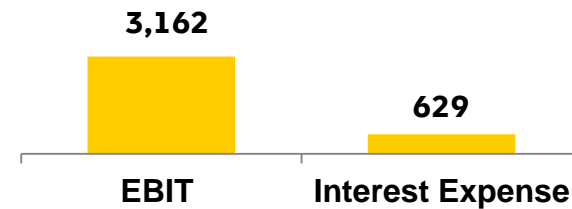
**Net Gearing: 47.0%**  
**Equity Ratio: 27.5%**



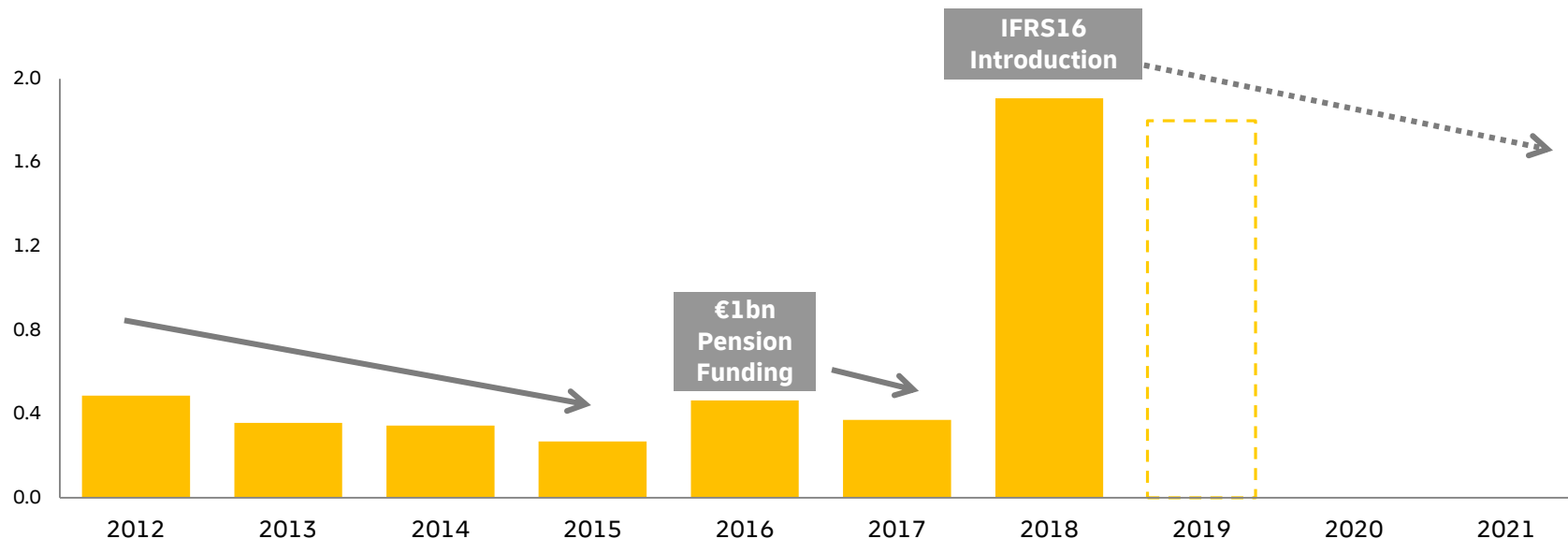
**2018 Net Debt/EBITDA: 1.9x**



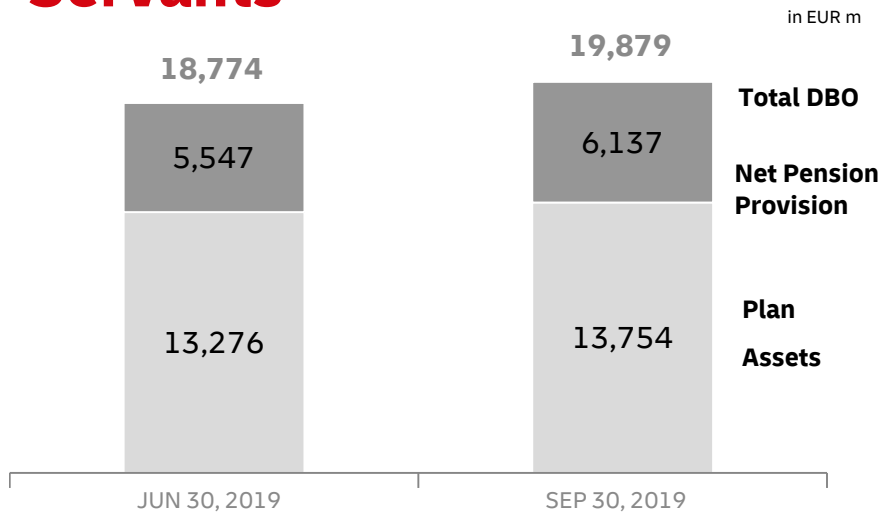
**2018 Interest Cover: 5.0x**



# Net Debt / EBITDA: History and Outlook

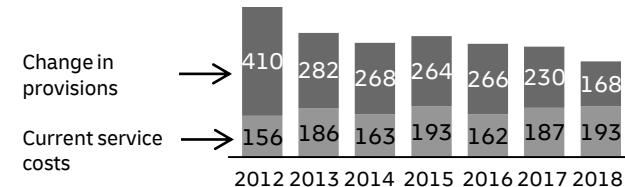


# DPDHL Group Pensions - DBO, DCO, and Civil Servants



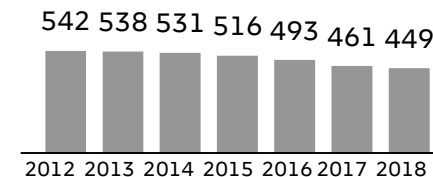
Discount Rate	Germany	UK	Other	Total
Jun 30, 2019	1.40%	2.10%	1.66%	1.64%
Sep 30, 2019	1.00%	1.70%	1.31%	1.25%

**Defined Benefit (DB):**  
Staff costs + Change in provisions

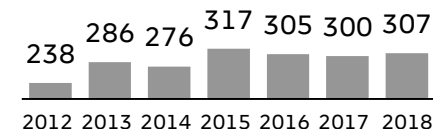


**Defined contribution (DC):**  
Cash out = staff costs in EBIT

**Civil servants (in GER)**



**Hourly workers and salaried employees mainly outside GER**



# Investor Relations Contacts

**Martin  
Ziegenbalg**



+49 228 182 63000  
m.ziegenbalg@dpdhl.com

**Robert Schneider**



+49 228 182 63201  
robert.schneider1@dpdhl.com

**Sebastian Slania**



+49 228 182 63203  
sebastian.slania@dpdhl.com

**Christian Rottler**



+49 228 182 63206  
christian.rottler@dpdhl.com

**Agnes Putri**



+49 228 182 63207  
a.putri@dpdhl.com

# Disclaimer

- This presentation contains certain statements that are neither reported results nor other historical information. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond Deutsche Post AG's ability to control or estimate precisely, such as future market and economic conditions, the behavior of other market participants, the ability to successfully integrate acquired businesses and achieve anticipated synergies and the actions of government regulators. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this presentation. Deutsche Post AG does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this presentation.
- This presentation does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor shall there be any sale, issuance or transfer of the securities referred to in this presentation in any jurisdiction in contravention of applicable law.
- Copies of this presentation and any documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from Australia, Canada or Japan or any other jurisdiction where to do so would be unlawful.
- This document represents the Company's judgment as of date of this presentation.